

# FAR EASTERN ECONOMIC REVIEW

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## HONGKONG'S PARTICIPATION IN THE BRITISH INDUSTRIES FAIR

The British Industries Fair Committee of Hongkong has last week submitted to the public its report on the participation of several Hongkong manufacturers in the British Industries Fair of 1948. The Committee's chairman is the Hon. Eric Himsworth, Superintendent of Imports & Exports Department.

The condensed report on the activities of the Committee and the exhibiting manufacturers together with the Committee's recommendations for the future participation of Hongkong in the British Industries Fairs follows.

### Participation in the British Industries Fair

It was towards the end of 1947 when the Government of the United Kingdom made known the fact that at this year's British Industries Fair, there would be an Empire Section and Hongkong was asked if it wished to participate. The offer was immediately accepted and arrangements made to contact local parties who would be interested in exhibiting at the British Industries Fair. A small Committee was formed and the first object of the Committee was to induce local merchants to exhibit on the Hongkong stall. The response was not widespread. Hongkong merchants had little experience of Exhibitions and felt that the typical Imports and Export firm had little opportunity of advertising itself on an Exhibition Stall. The Chinese Manufacturers' Union, however, was enthusiastic and a very large proportion of the exhibits was eventually supplied by members of that Association. One or two leading firms in the Colony were approached and added to the number of Exhibitors.

The exhibits sent to London were a fair representation of the goods manufactured in Hongkong. The Chinese Manufacturers' Union exhibited the following products on behalf of their members:—

Articles of Apparel and Piecegoods (Weaving and Knitting); Hats; Rubber goods; Foodstuffs (condiments and relishes); Canning; Preserved ginger;

Tobacco; Articles of daily use: Enamelwares; "Thermos" flasks; Torches; Soap; Metal; Paint.

In addition, the Hongkong and Shanghai Bank sent a large coloured drawing of the Bank premises, the "China Mail" exhibited a series of photographs of the Colony, and the Kowloon Docks had on show a chart showing the extent and facilities of their dockyard. The Imports and Exports Department showed a series of charts showing the movement of trade and shipping through Hongkong in the 1930's, and the Fisheries Department sent a model of a fishing junk and charts showing the various types of fish caught in Hongkong waters.

### Objects for Exhibiting

The Committee had three objects in mind in exhibiting at the British Industries Fair. The first and most important was to show the world what the Colony was doing in the way of Industry, Banking, and the like. Second, it was hoped that representatives of local manufacturers would contact other Industrialists for the purpose of purchasing the latest and most up-to-date machinery available in the United Kingdom. Thirdly, our representatives should visit the large Industrial plants of England to see for themselves the conditions in which British Industry operates. A visit of this nature would do more than any amount of the written word in enabling local industrialists to see how local factories stood in relation to the methods of production adopted in British Industrial Plants.

### The Hongkong Stall

The stall occupied a ground floor area of some 400 sq. ft. In the centre, a stand was erected in tiers, while shelves were fixed round the interior walls on which were displayed the various exhibits. The space above the shelves was used for the exhibition of charts, pictures, and plans. The whole area was illuminated by concealed fluorescent lights in order to show the exhibits at their best. Al-

though the Hongkong stand looked colourful and attractive when the exhibits had been laid out, it did give the appearance of a somewhat overcrowded department store suffering from lack of space. Buyers concentrated on the Hongkong stall which could offer commodities of practical utility. The general impression was that the Hongkong stall attracted more enquiries than any other stall in the Empire section.

The Fair opened on May 3rd, and until it closed on May 14th, there was a constant stream of visitors to the Hongkong stand. On average 25 buyers each day made serious enquiries covering a large range of products. Enquiries were received from buyers trading in the following areas in addition to the U.K.:—Ireland, France, Belgium, Holland, Denmark, Sweden, Switzerland, Portugal, South Africa, Nigeria, Trinidad, Egypt, Gibraltar, Malta, Ceylon, Iran, Jamaica, India, Burma, and New York.

The booking of orders on the spot could not in many cases be undertaken. The ticketing and pricing of goods had been sketchy and inadequate. This was aggravated by the fact that most of the literature, catalogues, and Price Lists did not arrive in time for the Fair. Price Lists were prepared as far as possible from invoices. Most prices were marked f.o.b. Hongkong, whereas buyers were more interested in c.i.f. costs for East and West Africa, the Continent and the Levant. Buyers were generally more interested in delivery dates rather than prices in order to take full advantage of the scarcity markets existing overseas.

If no more than a tithe of the enquiries materialise as firm orders, it will put a strain on local factories to meet this additional production especially in the hardware lines. Many of these enquiries have been followed up and local factories could accept firm orders for the goods which were displayed on the stall.

In some cases dissatisfaction was expressed with the prices which were too high.

### Opinions regarding exhibited goods

Needles, wood screws and buttons attracted attention; owing to world shortages delivery dates were of more importance than prices which were generally considered satisfactory. Hurricane lanterns attracted attention from Africa and the Continent; charcoal irons were not much in demand. Silk goods invited a number of enquiries but the main difficulty will probably be the necessity of obtaining Import Licences into the countries of destination. Vacuum flasks and flashlights were much in evidence but there was some criticism of prices with regard to the smaller sizes. Rubber footwear was sought by Scandinavian and other Continental countries, and some business may be expected in these lines. Toilet Soap attracted enquiries but the general comment was that the price was too high. Canned foods were in demand from countries with Chinese populations. Paints were said to be too expensive. Ginger was an attractive exhibit. Some trade should materialise in knitted goods and piecegoods but prices must be lowered in future if markets are to be held.

This first effort of Hongkong to participate in the British Industries Fair was an unqualified success. The three-fold object which the Committee had in view in organising this participation has been successfully accomplished. In terms of actual business obtained it is impossible to estimate the additional amount which the Fair has or will bring to the Colony. Two local firms reported that they are negotiating some twenty new contracts all of which are directly attributable to their participation in the British Industries Fair. Practically all firms feel that new contacts have been established. The business results of this experiment can only be measured over a long period. All the exhibitors are pleased with results of the Fair to date. It is already obvious from the enquiries received that Continental and African markets have been brought closer to Hong Kong than ever before.

### Contacts of Hongkong Manufacturers with British Industry

The Hongkong Representatives who visited the Fair and toured British Industrial Centres came away with a revised opinion on industrial organisation. The very size of the factories they visited, the methods they were able to see in operation and the conversations they had with British businessmen, have given them a new outlook on industry which is bound to affect their attitude towards local industry. All the representatives admit that this visit has been an education which has shattered any complacency they previously entertained concerning the future organisation of Hongkong's industry. To have seen processes done in a bigger and better way is perhaps the most telling antidote which could have been found against the local

parochial conservatism which accepts things as they are as being equivalent to things as they ought to be. This change in attitude must not be overstated. Hongkong industry is not going to be scrapped and rebuilt overnight, but the preliminary thoughts have been instilled into the minds of Hongkong manufacturers that progress is necessary if Hongkong is going to keep its place in the industrial field.

### Recommendations for the future Participation of Hongkong in the B.I.F.

The first recommendation of the Committee is that Hongkong should participate in the British Industries Fair to be held in 1949 and that arrangements in Hongkong should be organised as early as possible in order to be prepared for the Exhibition in time. It is recommended that a permanent British Industries Fair Committee be set up by Hongkong Government. The composition of this Committee should include one member each appointed from the Hongkong General Chamber of Commerce, the Chinese Chamber of Commerce, the Kowloon Chamber of Commerce, and the Chinese Manufacturers' Union. The Superintendent of Imports and Exports Department should be the Convenor; the United Kingdom Trade Commissioner in Hongkong should also be asked to join the Committee. The Secretary to the Committee should be the Secretary of the Imports and Exports Department.

There will be expenses such as advertising, postage, and printing, which will have to be met in the early stages of the Committee's work, and the Committee recommends that a sum to meet such expenses should be included in the estimates of the Imports and Exports Department each year. These expenses should be recoverable from the exhibitors at a later date.

The dominant factor in the success of Hongkong's participation this year was probably the London Office of the Hongkong Government. Without this connection in the United Kingdom it would have been impossible to organise the staff and display the exhibits cheaply and to arrange for the representatives from Hongkong to meet officials and business men in England. Hongkong Government in London provided an office where those representatives could work and through which they could obtain the information they required. The Hongkong office in London should therefore be continued and it should extend its activities by advertising Hongkong in England as well as affording a terminal contact for business enquiries from Hongkong and for business men visiting Britain. For trading purposes alone, an office should be maintained in London.

Organised business associations in the Colony should bring to the notice of their members the desirability of exhibiting at the British Industries Fair. While it might be difficult to show any particular object it ought to be possible for such firms to present an attractive display card showing the lines in which they are interested, and perhaps the agencies which they represent. Buyers at the Fair are looking for exporters of produce, not necessarily the actual producers, and exhibitors elsewhere in the Fair may be looking for agents to show their wares in new markets.

Exhibitors of actual commodities should note that exhibits should not exceed one of each particular item. The British Customs officials levy purchase tax and customs duty on any articles which are given away as samples and it is unwise to distribute such samples at the Fair. Moreover, it adds to packing costs, and makes storage difficult in the limited space available at the Fair. Therefore, while a limited number of actual exhibits are desirable so that buyers can see the quality of the producers' goods, it is much more important that exhibitors should have available well illustrated catalogues of their products giving all information available to potential buyers. In particular, the description of each commodity should be comprehensive, designed to anticipate any question which a buyer might ask about it. Prices should be quoted f.o.b. Hongkong and c.i.f. the principal ports of Europe and Africa. In addition, information should be included as to the terms on which the seller will conduct business, the name of his Bankers and, where possible, his cable address. Catalogues should be in clear and attractive printing and details expressed in good English. Buyers attending British Industries Fair are mostly air travellers and advertising literature should not, therefore, be bulky. It is estimated that approximately 5,000 copies of booklets for each exporter should be sufficient. Exhibits and literature should be packed together in cases which can be easily handled. A considerable amount of expense and official time can be saved if the various exhibits are handled together.

The Committee suggests the training of two or three persons who would be sent to London and would be on permanent duty throughout the exhibition answering all the enquiries of potential buyers, and even making firm offers on behalf of Hongkong firms.

The most telling exhibit is not that which displays the largest number of articles but that which can attract the attention of the purchaser on to the articles in question. All goods should have, in addition, comprehensive price tickets, i.e. showing the price, quantity, and c.i.f. the more important ports in the world.

A commercial Guide to Hongkong should be published and should contain in some detail the various shipping, storage, banking and insurance facilities which are available in Hongkong and also some account of Hongkong's industries. In addition, it should give the official requirements regarding factory operation,

labour laws, import duties and import and export regulations. Statistics showing the movement of trade should be included.

Although the first venture at the British Industries Fair had been well worth while, the potential value of the Fair has not been exploited to

the full. It should be possible in future to utilise the Fair to show to the world the value of Hongkong as a productive and distributing centre for the Far East. Money spent on a venture of the kind will pay rich dividends in the future political and economic prosperity of Hongkong.

## THE BRITISH EXPORT AND IMPORT POSITION

(By Economic Information Unit, H. M. Treasury)

### (I.) THE VOLUME OF BRITAIN'S EXPORTS

The following table measures export performance up to July 1948 against the forecasts set out in the Economic Survey.

#### FORECAST ACHIEVEMENT TO DATE (1938=100)

1. Volume of export for first half of 1948 .....	125	130
2. Rate of export by mid-1948 .....	140	149
3. Volume of export for the whole of 1948 .....	130	—
4. Rate of export by the end of 1948 .....	150	—

- (i) The value of goods exported in July was the highest in any month in our history.
- (ii) It was the largest quantity of goods shipped abroad in any one month for nearly 20 years.
- (iii) The volume of export in July came very near the target set for the year end.
- (iv) The value of imports in July was also the highest on record, although, thanks to the high value of exports, the trade gap was narrowed to the lowest monthly figure since February.
- (v) The volume of imports in the first six months of this year was some 2 or 3 per cent. above the forecast, but still about 20 per cent. below pre-war.

### (II.) THE VOLUME OF OUR EIGHT LEADING EXPORTS

	(1938=100)		
	1st Quarter 1948	2nd Quarter 1948	End-1948 Target
1. Machinery .....	176	196	206
2. Vehicles .....	245	264	255
3. Cotton .....	52	58	79
4. Iron and Steel ...	109	114	111
5. Wool .....	116	123	202
6. Chemicals, etc. ...	149	156	184
7. Electrical goods ..	198	221	252
8. Non-ferrous metals	241	171	207

### (III.) CHIEF CUSTOMERS FOR OUR LEADING EXPORTS

The chief customers for our eight leading exports in the first six months of this year are shown in the following table:—

(£ million)

#### 1. Machinery; total 119.2

1. India, Pakistan etc.	17.3	6 Eire	4.3
2. South Africa	9.6	7. Sweden	4.1
3. Australia	8.5	8. Egypt	3.6
4. Netherlands	5.0	9. U.S.A.	3.5
5. France	4.7	10. Belgium	3.5

#### 2. Vehicles (incl. locomotives, ships and aircraft); total 115.9

1. Australia	12.1	6. Eire	5.2
2. South Africa	8.6	7. New Zealand	5.4
3. Argentina	5.6	8. Portugal	4.4
4. India, Pakistan, etc.	5.5	9. Belgium	4.3
5. France	5.3	10. Netherlands	3.9

#### 3. Cotton yarns and manufactures; total 55.3

1. Australia	7.3	6. Burma	5.2
2. British W. Africa	6.0	7. New Zealand	2.4
3. South Africa	4.5	8. British Malaya	2.0
4. Canada	2.9	9. India, Pakistan etc.	1.9
5. British E. Africa	2.7	10. Eire	1.5

#### 4. Iron and steel and manufactures thereof; total 49.2

1. South Africa	3.9	6. Netherlands	2.1
2. Iran	2.7	7. Argentina	2.1
3. Australia	2.4	8. Sweden	1.8
4. India, Pakistan etc.	2.4	9. Denmark	1.7
5. Eire	2.2	10. Finland	1.7

#### 5. Woollen and worsted yarns and manufactures; total 44.4

1. Canada	9.0	6. New Zealand	2.1
2. South Africa	4.7	7. India, Pakistan etc.	1.6
3. Australia	3.2	8. Hong Kong	1.5
4. U.S.A.	2.4	9. Sweden	1.5
5. Eire	2.2	10. Egypt	1.4

#### 6. Chemicals, drugs, dyes etc; total 40.1

1. India, Pakistan etc.	3.5	6. Argentina	1.6
2. Australia	2.4	7. Egypt	1.6
3. South Africa	2.0	8. France	1.6
4. Sweden	1.8	9. U.S.A.	1.5
5. Eire	1.7	10. British W. Africa	1.2

#### 7. Electrical goods and apparatus; total 34.6

1. South Africa	4.5	6. Eire	1.5
2. Australia	2.3	7. Argentina	1.3
3. India, Pakistan etc.	2.0	8. Egypt	1.1
4. Sweden	1.8	9. British Malaya	0.9
5. New Zealand	1.6	10. Portugal	0.8

#### 8. Non-ferrous metals and manufactures thereof; total 25.5

*1. U.S.A.	3.0	6. Philippines	1.4
2. India, Pakistan, etc.	1.8	7. New Zealand	1.0
3. Belgium	1.8	8. Australia	1.0
4. Sweden	1.5	9. Netherlands	1.0
5. South Africa	1.4	10. France	0.9

\*(Includes abnormal exports of partly-worked gold to the value of £2.9 million)

**(IV.) CHIEF SUPPLIERS OF OUR LEADING IMPORTS**

The chief suppliers of our leading imports in the first six months of this year are shown in the following table:—

(£ million)

**1. Grain and flour; total 88.6**

1. Canada	42.0	6. Burma	0.7
2. Argentina	20.1	7. Netherlands	0.4
3. Australia	12.6	8. U.S.A.	0.3
4. Soviet Union	10.2	9. Belgium	0.3
5. British Malaya	0.7	10. New Zealand	0.2

**2. Seeds and nuts for oil, oils, fats, resins and gums; total 76.2**

1. British W. Africa	17.4	6. British Malaya	3.1
2. India, Pakistan etc.	7.5	7. Iran	3.1
3. Argentina	7.1	8. Saudi Arabia	1.7
4. Dutch W. India Islands	3.7	9. U.S.A.	1.4
5. Ceylon	3.2	10. Bahrain, Koweit, Qatar and Trucial Oman	1.2

**3. Dairy produce; total 69.3**

1. New Zealand	25.7	6. Netherlands	2.5
2. Australia	14.5	7. Poland	0.9
3. Denmark	13.5	8. U.S.A.	0.7
4. Canada	5.7	9. France	0.4
5. Eire	3.4	10. China	0.2

**4. Meat; total 67.4**

1. Canada	18.8	6. Poland	1.8
2. New Zealand	14.9	7. Eire	1.0
3. Argentina	14.3	8. Uruguay	0.9
4. Australia	6.7	9. Netherlands	0.3
5. Denmark	5.1	10. Hungary	0.7

**5. Oils, fats and resins, manufactured; total 67.0**

*1. Dutch W. India Islands	29.2	6. Palestine	0.8
*2. U.S.A.	13.8	7. India, Pakistan etc.	0.8
*3. Iran	13.0	8. Venezuela	0.5
4. British W. Indies	4.3	9. Mexico	0.5
*5. Bahrain, Koweit, Qatar and Trucial Oman	1.3	10. France	0.4

\*Mainly petroleum products.

**6. Miscellaneous food (excluding fruit and vegetables); total 65.5**

*1. Cuba	14.5	6. Norway	2.8
†2. Argentine	9.3	7. Netherlands	2.7
*3. St Domingo	5.7	8. Australia	2.6
*4. British W. Indies	5.0	9. France	2.1
5. Greece	3.3	10. Argentina	2.1

\* Mainly sugar

† Animal feeding stuffs

**7. Raw cotton and cotton waste; total 58.4**

1. Egypt	25.7	6. British E. Africa	2.0
2. U.S.A.	13.8	7. Belgian Congo	1.8
3. Anglo-Egyptian Sudan	7.7	8. Peru	0.3
4. India, Pakistan etc.	3.8	9. British W. Africa	0.3
5. Brazil	2.7	10. British W. Indies	0.1

**8. Beverages and cocoa preparations; total 58.1**

1. British W. Africa	16.6	6. British E. Africa	2.4
2. India, Pakistan etc.	15.9	7. France	1.6
3. Ceylon	6.8	8. Palestine	1.3
4. Eire	2.6	9. South Africa	1.1
5. British W. Indies	2.4	10. Spain	0.9

**(V.) OUR CHIEF CUSTOMERS AND SUPPLIERS THIS YEAR**

Our leading export markets and the chief sources of our imports in the first six months of this year have been:—

Exports	(£ million) (including re-exports)	Imports	(£ million)
1. Australia	67.7	1. Canada	114.9
2. South Africa	57.6	2. U.S.A.	95.4
3. Eire	40.8	3. Australia	73.4
4. India	38.9	4. New Zealand	59.7
5. U.S.A.	34.1	5. Argentina	57.4
6. Canada	32.1	6. India	49.7
7. Sweden	27.9	7. British W. Africa	42.8
8. New Zealand	25.6	8. Dutch W. Indies	33.0
9. France	24.0	9. Egypt	27.7
10. Belgium	21.8	10. Nigeria	26.8

**TRADE REPORT FOR AUGUST 1948**

(By A Trade Analyst)

After the sharp increase of the previous month, trade in exports and imports fell away during August. Imports at \$153 m. were \$13½ m. down on the previous month, while exports fell by \$12 m. to \$123 m. The major falls in imports were sugar \$6 m., non-ferrous base metals \$4 m., manufactured cereals \$4 m., vegetable oils \$3 m., and manufactured articles \$2 m.

There were, on the other hand, significant increases in the import of tobacco \$4½ m., oilseeds \$5 m., textiles \$5½ m., and iron and steel \$2½ m.

The major reductions in exports were wolfram \$6 m., cereals \$7½ m., and textiles of all kinds. On the other hand, the exports of oilseeds were up by \$6½ m. and that of raw textile materials by \$3½ m.

It is perhaps too early to assess the results of the new exchange regulations (as came into force as from August 3) from the direction of trade but it was anticipated that these regulations would damage Far Eastern

trade and it is significant that the major reductions in Hong Kong's import and export trade have been with the countries of the Far East.

**Trade with the Empire**

There was a large rise in imports from the United Kingdom of \$11½ m. Although imports of sugar fell by \$2 m., nevertheless, there were big increases in tobacco (\$2½ m.), yarn (\$1½ m.), machinery and electrical appliances (\$2 m. each). There were also significant increases in textiles, steel and non-ferrous metals. Exports to the United Kingdom showed an increase of \$2½ m. of oils and fats.

Although imports of meat and dairy produce from Australia increased by \$1 m. each, imports of manufactured cereals were down by \$4 m. and of textile fabrics by \$2½ m.

Exports of textiles eased off considerably, for example textiles to East Africa fell by \$1 m., and exports of yarn to India fell by \$1 m.

Raw cotton shipments from India were down by \$1 m., probably due to the fact that India is now selling raw cotton to Japan direct instead of via Hong Kong.

Imports from Malaya fell by \$2 m., mainly vegetable oils and rubber, and there were slight decreases in the export of textiles and manufactured articles to Malaya.

**Trade with Far Eastern countries**

Imports of rice from Burma were \$1 m. less. A fall in exports of yarn and made-up textile materials was responsible for a decrease of \$1 m. to the Netherlands East Indies.

French Indochina sent less coal than the previous month but exports of vegetables and miscellaneous simply prepared products put up exports to that country by \$1 m.

Exports to the Philippines dropped from the high level of the previous month by \$14 m. The previous month's figures had included the rice loan of \$7½ m., but there was a big drop in made-up textiles of \$4¼ m., and textile fabrics of \$1½ m.

Japan trade continues to flourish. Imports from Japan went up by \$1½ m. of textiles but exports increased by no less than \$8 m. of which oilseeds accounted for \$7 m. and textile materials \$1 m.

Korean trade continued fair. The decrease in imports of \$1 m., was accounted for by less fertilizers but exports were up by \$1 m. mainly rubber, dyes and yarn.

Trade with Siam declined. Although imports of cereals were up by \$1½ m., oilseeds declined by \$2¼ m., and there were fewer imports of wood. Export of yarn to Siam was down by \$1½ m., and of manufactured articles by \$¾ m.

#### Trade with China and Macao

Imports from China fell away again. From North China there was a drop of \$2 m. While textiles increased by \$1½ m., the import of yarn was down by \$¾ m. Imports from Middle China fell by \$2¼ m. mainly sugar from Formosa.

While imports from South China dropped by no less than \$8 m., animal fats fell by \$4 m., and wolfram imports were also down by \$4 m. There was, however, an increase in the import of textiles from South China.

Exports to China varied. North China took \$7 m. more than in the previous month of which \$1½ m. was raw cotton, \$3½ m. made-up textiles and \$2¼ m. petroleum. Exports to South China, on the other hand, fell away by \$3½ m., mainly petroleum and vehicles.

Both imports and exports to and from Macao declined by \$2½ m., as there were fewer imports of oilseeds and textiles, and fewer exports of tobacco, paper, and vehicles.

#### Trade with Europe, USA and USSR

Imports from France were down \$½ m., from Holland \$½ m., and also from Switzerland, Czechoslovakia and Norway. Imports from Belgium were up by \$1¼ m. mainly steel.

Imports from U.S.A. declined by \$3 m., mainly fruit, chemicals and machinery but there was a slight increase in the import of steel and petroleum. Exports of rubber manufactures to U.S.A. increased slightly as did vegetable oils but there was a decrease in miscellaneous simply prepared products and manufactured articles.

There was no wolfram to Russia this month but \$1¼ m. of vegetable oils were sent to the Soviet Union.

#### BRITISH IRON AND STEEL EXPORTS TO CHINA

A review of exports of British iron and steel to the Far East show that China and Hong Kong stand second on the list as the greatest importers during July.

The following returns, representing hundreds of tons of 2,240 lbs., are the monthly average for 1938 and the July totals for 1947 and 1948:

India, Pakistan and Ceylon 164, 97, 94;

China and Hong Kong, 38, 123, 59; British Malaya, 55, 36, 38;

Burma 15, 22, 31;

Dutch East Indies, 23, 30, 31.

### HONGKONG IMPORTS & EXPORTS OF 1947 AND 1948

	1947		1948	
	Imports	Exports	Imports	Exports
	(In Thousands of HK\$)			
January .....	105,406	102,591	140,755	113,316
February .....	82,557	70,993	130,243	92,286
March .....	113,104	95,795	170,562	115,037
April .....	103,545	89,635	188,888	138,312
May .....	124,015	99,905	176,735	133,028
June .....	130,474	100,472	173,787	106,118
July .....	142,562	102,840	167,050	135,887
August .....	119,794	72,377	153,531	123,696
Total for first 8 months .....	921,460	734,609	1,201,553	957,682

The trade of Hongkong during August 1948 showed, when compared with July 1948, a further reduction in imports which amounted to 8.09%; exports also dropped by 8.99% against July.

\* \* \* \*

The trade in August 1948, compared with the figures for August 1947, showed the following increases:—imports 28.17%; exports 70.91%.

\* \* \* \*

The trade of Hongkong for the first eight months of 1948, compared with the same period of 1947, shows the following increases:—imports 41¼% (\$380,093,000); exports 30.36% (\$223,073,000).

\* \* \* \*

#### IMPORT EXCESS

The import excess of Hongkong in August amounted to 19.43% (\$29,835,000) against an import excess in August 1947 of 39.58% (\$47,417,000).

The import excess for the first eight months of 1948 amounted to 26.42% (\$343,871,000) against an import excess for Jan./Aug. 1947 of 20.28% (\$186,851,000).

The highest import value in Hongkong's trade was recorded in April 1948; the highest export value was recorded in April 1948; the highest import excess in June.

Import excesses for the first eight months of 1947 & 1948:—(in thousands of HK Dollars):—

	1947 Import excess	In per cent.	1948 Import excess	In per cent.
January .....	\$ 2,815	2.67	\$ 27,439	19.49
February .....	11,564	14.01	37,957	29.14
March .....	17,309	15.30	55,525	32.55
April .....	13,910	13.44	50,576	26.77
May .....	24,110	19.44	43,707	24.73
June .....	30,002	23.00	67,669	38.94
July .....	39,722	27.86	31,163	18.66
August .....	47,417	39.58	29,835	19.43
First eight months	\$ 186,851	20.28%	\$ 343,871	26.42%

## THE TRADE OF HONGKONG FOR AUGUST AND FOR THE PERIOD JANUARY TO AUGUST 1948

— BY COUNTRIES OF ORIGIN & DESTINATION —

Imports of merchandise into the Colony of Hongkong during the month of August, 1948 amounted to a declared value of \$153,531,237 as compared with \$119,794,349 in the month of August, 1947. The figures include Government sponsored cargoes. Exports of merchandise totalled a declared value of \$123,696,604 as compared with \$72,377,540.

Imports during the first eight months of 1948 amounted to a declared value of \$1,301,553,731 as compared with \$921,460,400 in the first eight months of 1947. Exports totalled \$957,682,670 as compared with \$734,609,535.

	— For the month of August —				— For the first eight months —			
	Imports from 1947	Imports from 1948	Exports to 1947	Exports to 1948	Imports from 1947	Imports from 1948	Exports to 1947	Exports to 1948
	\$	\$	\$	\$	\$	\$	\$	\$
United Kingdom	11,503,436	32,933,170	3,670,345	6,486,041	98,815,312	166,594,748	23,671,900	46,936,631
Australia .....	4,229,728	7,021,558	499,710	1,663,794	31,278,300	39,813,049	5,523,701	9,776,779
Canada .....	606,990	2,301,721	107,942	518,118	12,579,579	20,397,418	1,711,743	4,390,235
Ceylon .....	147,546	140,449	252,892	618,550	1,137,573	912,357	3,526,920	3,724,844
East Africa ..	134,037	199,467	316,251	780,263	910,868	1,241,749	651,533	6,058,375
India .....	2,660,245	3,582,232	815,095	2,097,663	33,357,118	22,135,205	16,647,647	14,810,111
Malaya								
(British) ...	6,772,291	2,123,902	11,336,022	17,052,580	58,881,129	60,976,848	151,366,752	138,209,970
New Zealand	—	38,832	61,974	88,254	142,227	308,983	1,215,266	869,110
North Borneo	669,527	270,573	32,108	112,081	4,115,502	7,369,583	3,950,268	4,037,438
South Africa ..	970,770	532,631	1,393,826	778,049	6,624,359	7,436,756	9,552,645	4,456,671
West Africa ..	—	—	280,056	198,300	—	—	854,734	2,079,016
West Indies ..	—	—	26,478	1,544,716	6,284	7,761	254,425	6,854,747
Br. Empire,								
Other .....	50,352	686,685	582,581	820,621	6,839,842	20,122,631	4,478,316	7,131,825
Belgium .....	4,600,173	2,524,666	1,064,182	745,610	30,682,604	29,118,063	6,195,910	6,040,731
Burma .....	5,079,625	1,553,812	723,197	1,067,779	13,110,210	29,344,486	4,178,693	8,409,055
China, North ..	1,717,556	8,940,493	4,065,877	11,045,732	28,114,555	67,617,387	25,163,146	49,289,236
" Middle ..	1,474,481	2,771,416	1,984,380	6,468,769	23,072,583	27,007,052	32,886,929	38,548,106
" South ..	18,705,155	17,978,259	6,244,153	6,103,291	190,221,249	154,472,120	133,423,708	65,050,235
Cuba .....	—	—	128,664	126,377	6,480	71,470	776,770	1,067,514
Central America	—	80,932	68,337	360,395	306,861	684,727	471,080	2,175,694
Denmark .....	122,111	59,224	20,150	58,121	547,051	1,646,955	908,228	527,724
Egypt .....	3,120	35,580	378,384	239,480	257,123	5,796,301	4,849,324	3,003,603
France .....	1,734,979	2,124,048	346,278	534,402	8,646,383	12,811,827	8,462,323	6,646,350
French Indo China	2,289,607	561,082	830,573	2,000,056	14,006,679	12,954,177	12,114,830	13,872,458
Germany .....	—	293,315	—	165,920	—	2,667,186	219,425	3,506,384
Holland .....	1,726,569	1,851,357	3,430,185	410,569	6,913,327	12,103,067	12,599,039	4,094,157
Italy .....	541,173	4,384,382	1,648,811	351,694	8,450,561	25,189,123	9,639,432	2,490,927
Japan .....	7,130,546	5,957,585	325,117	10,336,664	15,596,223	52,843,963	2,005,378	29,706,109
Korea .....	—	1,362,029	—	4,382,988	—	14,519,862	—	22,439,017
Macao .....	7,057,262	6,741,797	5,212,911	5,597,376	46,558,936	54,794,073	33,899,565	77,341,241
Norway .....	3,087,469	2,186,528	474,703	123,944	11,908,860	14,840,528	2,216,355	1,487,047
Neth. East Indies	1,274,775	1,670,234	3,292,842	5,841,328	7,999,804	21,191,295	18,922,749	48,577,787
Philippines ..	954,967	477,899	5,447,554	8,867,874	10,568,608	5,893,451	31,249,796	92,569,763
Portugal .....	76,741	24,938	—	10,606	621,000	518,111	99,776	22,580
Siam .....	6,352,644	3,952,023	5,733,856	7,907,890	34,000,909	78,717,865	55,219,465	91,253,692
South America	173,425	328,507	440,112	478,535	350,156	1,539,637	1,257,941	3,283,337
Spain .....	4,380	136,143	—	—	137,212	1,123,076	1,214,204	—
Sweden .....	500,940	1,746,735	164,434	514,889	2,601,794	22,357,438	5,341,313	2,668,333
Switzerland	998,750	5,238,973	131,610	224,486	10,658,145	23,279,898	206,907	7,124,150
U. S. A. ....	22,005,346	27,865,172	8,656,760	13,502,009	191,534,781	260,027,590	88,944,473	101,831,938
U. S. S. R. ....	356,396	—	—	1,274,272	769,887	431,680	4,803,462	9,324,767
Others .....	3,881,237	4,852,578	4,138,690	2,196,519	9,130,326	20,074,155	13,933,461	15,495,074
<b>TOTAL</b> .....	<b>119,794,349</b>	<b>153,531,287</b>	<b>72,377,540</b>	<b>123,696,604</b>	<b>921,460,400</b>	<b>1,301,553,731</b>	<b>734,609,535</b>	<b>957,682,670</b>
Total British Empire	32,824,547	49,831,220	20,098,477	32,759,035	267,798,303	953,636,613	507,024,992	708,346,918
Total Foreign	86,969,802	103,700,067	52,279,063	90,937,569	653,662,097	347,917,118	227,584,543	249,335,752

# HONGKONG'S TRADE BY COMMODITY GROUPS

— TOTAL VALUE OF IMPORTS & EXPORTS BY CHAPTERS FOR AUGUST AND FOR THE FIRST EIGHT MONTHS OF 1948 —

1948

## FAR EASTERN ECONOMIC REVIEW

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Articles	— For the month of August 1948 —		— For January to August 1948 —	
	Imports	Exports	Imports	Exports
Live animals, chiefly for food .....	3,687,200	3,015	22,464,389	23,042
Meat and preparations thereof .....	1,289,431	479,826	2,886,010	6,126,646
Dairy products, eggs and honey .....	2,684,513	2,203,705	20,466,257	19,717,323
Fishery products, for food .....	3,199,006	1,522,759	25,597,312	10,633,960
Cereals .....	3,569,638	35,170	88,293,119	8,084,810
Manufactured products of cereals, chiefly for human food .....	2,533,866	301,595	26,970,153	10,929,586
Fruits and nuts, except oil-nuts .....	2,164,155	1,616,247	19,634,966	16,835,733
Vegetables, roots and tubers, chiefly used for human food and their preparations, n.e.s. ....	2,845,358	4,321,246	30,798,108	42,855,184
Sugar and sugar confectionery .....	1,880,490	971,095	33,925,115	13,283,173
Coffee, tea, cocoa and preparations thereof; spices .....	1,371,819	1,202,568	9,792,720	8,577,083
Beverages and vinegars .....	1,640,768	520,800	9,647,330	4,972,165
Feeding stuffs for animals, n.e.s. ....	458,322	20,818	679,942	279,939
Tobacco .....	8,071,510	857,877	31,341,207	12,632,497
Oil-seeds, nuts and kernel .....	2,112,281	7,658,026	21,773,393	17,617,154
Animal and vegetable oils, fats, greases and waxes and their manufactures, n.e.s. ....	4,645,341	9,326,323	68,882,221	84,054,957
Chemical elements and compounds; pharmaceutical products .....	6,610,479	4,477,785	64,128,881	33,331,106
Dyeing, tanning & colouring substances (not including crude materials) .....	4,566,690	2,302,813	54,199,888	24,222,726
Essential oils, perfumery, cosmetics, soaps and related products .....	745,883	924,936	8,369,702	9,137,234
Fertilizers .....	884,390	2,633,517	6,931,008	9,962,004
Rubber and manufactures thereof, n.e.s. ....	1,419,209	4,477,431	22,903,101	19,661,004
Wood, cork and manufactures thereof .....	1,933,788	627,549	24,858,975	4,814,488
Pulp, paper and cardboard and manufactures thereof .....	8,700,015	5,064,613	74,622,011	39,028,160
Hides and skins & leather .....	926,228	1,205,341	9,397,827	10,086,303
Manufactures of leather, not including articles of clothing .....	37,120	274,109	266,348	2,700,912
Furs, not made up .....	—	96,537	604,014	1,546,998
Articles	Imports	Exports	Imports	Exports
Textile materials, raw or simply prepared .....	5,879,811	5,956,906	24,119,036	25,927,635
Yarns and thread .....	10,574,988	2,911,806	87,091,409	30,010,743
Textile fabrics and small wares .....	18,818,967	16,276,998	105,426,191	122,493,201
Special and technical textile articles .....	456,680	249,205	3,554,321	2,341,419
Clothing and underwear of textile materials; hats of all materials .....	1,442,998	2,812,026	13,144,989	32,575,891
Clothing of leather and fur .....	20,206	250	115,411	89,004
Footwear, boots, shoes and slippers .....	285,501	641,057	1,495,476	12,374,925
Made-up articles of textile materials other than clothing .....	531,987	5,794,782	9,173,384	31,863,527
Products for heating, lighting & power, lubricants and related products .....	8,151,407	5,426,172	78,757,991	49,133,595
Non-metallic minerals, crude or simply prepared, n.e.s. ....	756,339	106,293	10,554,666	2,930,371
Pottery and other clay products .....	825,581	617,039	6,169,990	5,138,417
Glass and glassware .....	507,472	468,620	7,059,604	5,100,825
Manufactures of non-metallic minerals, n.e.s. ....	325,947	110,222	2,564,082	688,227
Precious metals and precious stones, pearls and articles made of these materials .....	704,627	495,971	2,771,566	1,821,558
Ortes, slag, cinder .....	747,377	722,289	11,191,552	16,892,550
Iron and steel .....	5,619,398	1,572,386	38,585,797	13,919,142
Non-ferrous base metals .....	3,844,671	2,754,139	25,383,450	19,230,912
Manufactures of base metals, n.e.s. ....	4,097,123	6,840,352	28,458,184	48,121,096
Machinery, apparatus and appliances n.e.s., other than electrical .....	5,011,627	249,481	35,743,503	3,669,669
Electrical machinery, apparatus and appliances .....	3,899,263	1,087,942	17,434,270	8,330,430
Vehicles and transport equipment, n.e.s. ....	2,919,826	1,226,824	23,238,773	16,462,846
Miscellaneous crude or simply prepared products, n.e.s. ....	3,448,878	6,756,531	28,151,084	46,304,738
Manufactured articles, n.e.s. ....	6,653,113	5,893,022	61,837,005	51,127,762
Total Merchandise .....	153,631,287	123,696,604	1,301,553,731	957,682,670
Gold and specie .....	153,531,287	2,623,800	201,031	19,115,026
Grand Total .....	153,531,287	126,320,404	1,301,754,762	976,797,696

## PUBLIC FINANCE AND TAXATION IN SINGAPORE

REPORT BY THE HON. COLONIAL SECRETARY,  
GOVERNMENT OF SINGAPORE

The revenue the Colony of Singapore for the year ended 31st December, 1947 amounted to \$70,972,949. This is \$14,619,235 in excess of the estimated revenue of \$56,353,714 for the year 1947. The expenditure for the year ended 31st December, 1947 was \$61,956,004.34 which is \$2,825,302.66 less than the estimated expenditure of \$64,781,307 for the year. The final expenditure figure does not include expenditure on account of the subsidies on foodstuffs and the losses in connection with the trading operations of the Joint Supply Board as the Colony of Singapore's proportion of the loss has not yet been ascertained. The estimates of expenditure provided \$7,000,000 for subsidies on foodstuffs. The total expenditure for the year 1947 met from the proceeds of the issue of \$50,000,000 of the 3% Rehabilitation Loan, amounted to \$9,283,313.33

### REVENUE

Details of Revenue are shown hereunder:—

Heads of Revenue	\$
1. Licences, Excise and Internal Revenue not otherwise classified ..	41,341,907
2. Fees of Court or Office, payments for Specific Services and Reimbursements-In-Aid	1,411,566
3. Posts and Telecommunications .. .. .	5,119,923
4. Rents on Government Property .. . . .	1,761,876
5. Interest .. . . .	3,165,383
6. Miscellaneous Receipts (a) .. . . .	18,156,045
<b>TOTAL EXCLUSIVE OF LAND SALES ..</b>	<b>70,956,700</b>
7. Land Sales and Premia on Grants .. . . .	16,249
<b>Total Revenue .. .</b>	<b>70,972,949</b>

(a) Includes \$12,431,189.35 being Singapore's share of the profits of the All-Malaya (Currency) Surplus Fund.

### EXPENDITURE

The particulars of Expenditure are set out below:—

Heads of Expenditure	Expenditure for 1947	Expenditure under Appropriation Account of 1946 3% Rehabilitation Loan
	\$ c.	\$ c.
1. Charge on account of the Public Debt ..	6,792,962.00	—
2. Pensions, Retired Allowances, Gratuities, etc. ....	3,314,846.10	537,730.52
3. Charitable Allowances and Contributions	68,478.00	—
4. Governor-General .....	396,095.00	—
5. Governor .....	157,084.00	33,287.16
6. Malayan Civil Service .....	311,646.00	—
7. Straits Settlements Civil Service .....	40,326.00	—
8. Straits Settlements Legal Service .....	20,907.00	—
9. General Clerical Service .....	969,842.00	—
10. Colonial Secretary .....	148,727.00	1,920.92
11. Agriculture .....	7,965.00	—
12. Audit .....	54,498.00	—
13. Broadcasting .....	721,686.00	—
14. Chemistry .....	65,193.00	—
15. Chinese Secretariat .....	37,916.00	—
16. Civil Aviation .....	393,295.00	—
17. Co-operative Societies .....	8,748.00	—
18. Customs and Excise .....	663,754.00	—
19. Economic Affairs .....	45,562.00	—
20. Education .....	2,158,353.00	—
21. Estate Duty Office .....	47,406.00	—
22. Film Censorship .....	47,670.00	1,554.03
23. Fisheries .....	39,675.00	—
24. Foreign Exchange Control .....	56,171.00	—
25. Forests .....	15,905.00	—
26. Gardens, Botanical .....	153,976.00	7,904.05
27. Immigration and Passports .....	123,783.00	—
28. Imports and Exports .....	26,468.00	—
29. Judicial .....	370,109.00	—
30. Labour .....	48,344.00	—
31. Land and District Offices .....	80,262.00	—
32. Legal .....	68,386.00	—
33. Malayan Security Service .....	277,387.00	—
34. Marine .....	649,476.00	163,313.02
35. Marine Surveys .....	68,501.00	54.66
36. Medical .....	834,547.00	7,233.28
37. Medical, Health Branch .....	866,537.00	43,909.82
38. Medical, Social Hygiene Branch .....	108,891.00	—
39. Medical, Hospitals and Dispensaries .....	3,056,123.00	48,837.94
40. Medical Store .....	279,452.00	—
41. Meteorological .....	81,860.00	—
42. Military Expenditure .....	69,001.00	—
43. Miscellaneous Services .....	23,961,056.24a	138,261.50
44. Museum and Library, Raffles .....	77,011.00	—
45. Official Assignee .....	30,287.00	—
46. Police .....	5,315,343.00	81,296.82
47. Postal Services .....	1,030,511.00	38,379.56
48. Printing Office .....	209,346.00	—
49. Prisons .....	809,105.00	—
50. Public Relations .....	111,557.00	—
51. Public Works .....	339,538.00	—
52. Public Works, Recurrent Expenditure ..	1,829,016.00	—
53. Public Works, Extraordinary .....	2,523,490.00	522,518.79
54. Social Welfare .....	609,354.00	—
55. Statistics .....	55,787.00	385.83
56. Subventions .....	—	—
57. Surveys .....	139,430.00	—
58. Telecommunications .....	958,382.00	165,500.69
59. Trade Union Adviser .....	24,394.00	—
60. Transport .....	32,531.00	—
61. Treasury .....	103,202.00	—
62. Veterinary .....	48,851.00	—

(a) Includes Advance Account not yet charged to final Expenditure.

Heads of Expenditure	Expenditure for 1947		Expenditure under Approp- riation Account of 1946 3% Rehabilitation Loan	
	\$	c.	\$	c.
63. Arrears of Pay, Gratuities and Pensions to Volunteers and their dependents . . . . .	—	—	937,055.21	—
64. Arrears of Pay and Pensions to members of the Civil Defence Service of Singapore who were interned . . . . .	—	—	2,146,083.91	—
65. Arrears of Pay to Government Servants who were interned . . . . .	—	—	404,055.68	—
66. Rehabilitation Grants to Government Servants . . . . .	—	—	624,827.49	—
67. Claims for services rendered and goods supplied prior to the Occupation . . . . .	—	—	869,361.47	—
68. Claims in respect of Requisitioning and Hiring . . . . .	—	—	83,911.68	—
69. Expenses of the issue of the 1946 3% Rehabilitation Loan . . . . .	—	—	1,433.84	—
70. Back Pay to non-interned Government Servants . . . . .	—	—	3,842,699.33	—
71. Expenses of War Damage Claims Commission (Singapore Office) . . . . .	—	—	31,450.61	—
Total . . . . .	\$61,956,004.34	—	\$9,283,313.23	—

Grand Total expenditure: \$71,239,317.57.

No contribution was made towards the cost of Imperial Defence. It has not been possible to prepare a statement of the assets and liabilities of the Colony of Singapore as a final decision has not been arrived at regarding the distribution of assets and liabilities between Singapore and the Malayan Union on the separation of the Settlements of Penang and Malacca from Singapore and secondly because the Malaya (Unallocated) Account (to which all expenditure in connection with relief supplies and expenditure which are not capable of accurate apportionment has been debited) has not been finally apportioned.

#### PUBLIC DEBT

The Straits Settlements 3% Loan 1962/72 amounting to \$30,000,000 was issued on the 15th October, 1936. The loan is managed by the Chartered Bank of India, Australia and China, Singapore. This loan was allocated entirely to the Singapore and Penang Harbour Boards which bear all charges for interest and sinking fund.

The Straits Settlements 3% War Loan 1952/59 amounting to \$25,000,000 was issued on 2nd September, 1940.

This loan was raised for the purpose of making a contribution to the Im-

perial Government towards the cost of financing the prosecution of the war. The loan was secured as to both principal and interest upon the general revenues and assets of the Colony. The interest on the loan is not liable to any tax which may be introduced in the Colony other than Estate Duty. The Crown Agents, acting as the Straits Settlements Government Trustee, manage the sinking fund by investing the money set aside in accordance with the provisions of section 14 of the General Loan and Inscribed Stock Ordinance (Chapter 236). The Hongkong and Shanghai Banking Corporation, Singapore, manage the loan on behalf of the Straits Settlements Government.

The Straits Settlements 3% War Loan 1953/60 amounting to \$10,000,000 was issued in July, 1941. This loan was raised for the purpose of making a further contribution to the Imperial Government towards the cost of financing the prosecution of the war. The principal and interest are both secured upon the general revenues and assets of the Colony. The interest on the loan is not liable to any tax which may be introduced in the Colony other than Estate Duty. The Crown Agents manage the sinking fund. The Chartered Bank of India, Australia and China, Singapore, was appointed to manage the loan on

behalf of the Straits Settlements Government.

War Savings Certificates were issued from the 1st September, 1940, through the Post Office. The amount of the issue was limited to \$20,000,000, but the sales amounted to \$8,875,378 only. The whole of this amount was donated to the Imperial Government as a contribution to the cost of prosecuting the war. The principal and interest are both secured upon the general revenues and assets of the Colony. A sum is appropriated annually from the general revenues and assets of the Colony and placed to the credit of the War Savings Certificates Sinking Fund.

The Singapore 3% 1946 Rehabilitation Loan 1962/70 amounting to \$50,000,000 of which the first issue of \$25,000,000 raised on the 8th July, 1946 was fully subscribed, the remaining \$25,000,000 was issued on tap from the 12th October, 1946 and was fully subscribed. The principal and interest are charged upon the general revenues and assets of the Colony. Sinking fund contributions are appropriated at half-yearly intervals from the general revenues. The loan is managed by the Hongkong and Shanghai Banking Corporation, Singapore.

#### TAXATION

The customs tariff is restricted to three items, tobacco, petroleum and intoxicating liquor, collected under the authority of the Tobacco Duties Ordinance (Chapter 222), the Petroleum Revenue Ordinance (Chapter 224) and Liquors Revenue Ordinance (Chapter 223).

The duties on tobacco, intoxicating liquor and petroleum were increased during the year. Tobacco with effect from 23rd June, 1947, intoxicating liquor with effect from 27th March, 1947 and petroleum with effect from 1st July, 1947 in accordance with the Tobacco (Duties) Order 1947, the Liquors Revenue (Duties) Order 1947 and Gazette S. 208/1947 (under section 2—Public Revenue Protection Ordinance) respectively.

The duties, old and new, are set out in the following schedule:—



## THE CHALLENGE OF MALAYA

### The Problem of Chinese Immigrants

In spite of a military offensive by Gurkhas and the accurate bombing of jungle camps whose nefarious inmates were elsewhere, a wave of terrorism still surges round the villages, mines and estates of Malaya. What are the causes of this lawlessness? When will the murder, robbery and arson be suppressed? Who among the many peoples inhabiting the peninsula are responsible for the widespread outrages?

To trace the origin of Malaya's social upset the first task is to discover which race and class are responsible. And the returns of the census held last year show that, apart from Malays and Chinese, other races to be found in the Federation are negligible. True, there are about three-quarters of a million Indians. But 44 per cent. of the population is Malay (2,395,125) and 38.6 per cent. Chinese. It is highly significant that of those Chinese two-thirds were born in China. It is also to be remembered that during the British period the only civil trouble that has ever disturbed the Malayan scene has been due to Chinese secret societies, of whose members as many as 4,000 killed one another as far back as 1854 in pitched battles which lasted ten days. It must further be recognised that long before the World War there were Chinese Communists in prosperous Malaya. They were never Chinese of local birth—nor are they today. Often they were teachers in Chinese vernacular schools who fiercely resented the intrusion of British education officers, except when their aid was needed to handle pupils whose absorption of ideas subversive of authority had led them to look up their instructors and turn the key on discipline. But in those days the administration of Malaya was in the hands of men experienced in the psychology of its various races, hands neither unnerved by any world cataclysm nor weakened by untried

and alien ideologies from Whitehall. Undesirable aliens were banished as even nowadays they are banished from Great Britain.

#### Chinese Gunmen from China

Today there are still a few Malay and Indonesian (*videlicet* foreign Malay) Communists, though they do not think of treading the path of violence. A few Indian Communists, too, may be suspected of mischief-making, to judge from recent legislation authorising the banishment even of British-born persons. The gunmen now terrorising Malaya's villages, mines and estates are all of them Chinese from China. Many are members of the Lui Tong Tai or Strong Arm section of the Chinese Communist Party, who during the Japanese occupation fied for their lives to the recesses of the forest-clad mountains. They boasted of being soldiers, but though they were well supplied with British arms and ammunition, their guerrilla activities never went beyond petty ambushes, the sniping of patrols and brutal raids for food on unarmed Malay villagers. From outrages on a wider scale they were still deterred by fear of Japanese vengeance, nor perhaps were they disposed during the war to butcher and rob fellow countrymen, even if they were rated supporters of Chiang Kai-shek and the Kuomintang. But no sooner was the war over than this rabble claimed to be heroes of a resistance movement, deserving honour and special consideration as saviours of Malaya. They were, moreover, astonished and disappointed that the Japanese had to surrender not to a Chinese or a Russian army but to the British, whose flight and humiliation were indelible memories, affecting their perspective and judgment. For it must not be overlooked that this riff-raff is made up of juvenile miscreants not out of their teens, conceited, abysmally ignorant and open to the cajoleries of the most blatant and unscrupulous

propaganda. Few of them can have completed even the most elementary education or have had opportunity to learn a trade or have been forced by the necessities of peace to submit to manual labour. And though Communist slogans have intoxicated these modern youths, it would be a mistake to forget that their fathers too served, many of them in the rabble forces of some Chinese war-lord and were not prevented by ignorance of Leninism from being adepts at murder, intimidation and robbery.

The activities of those pioneers of Chinese disorder were, however, confined to their homeland; in a British protectorate they did not venture to flout authority openly or on a formidable scale, even if party passions reduced them occasionally into faction fights among themselves. Their sons are subject to no such qualms or inhibitions, partly because they do not entertain their fathers' respect for British might, partly because they have been supplied with British grenades and cartridges, partly because political partisanship in modern China is bitter and nation-wide and partly because they are inspired by the lustful greed and misanthropy of Communism. The proportion of each of these ingredients in Malaya's present hell-broth is disputable. In a recent broadcast the Governor-General (who apparently is not allowed to govern) stressed the likelihood of international Communism being behind "the desperate efforts to impose the rule of gun and knife in plantations, mines and factories." And out of fifty Chinese agitators arrested lately in Siam twenty were teachers recently come from Shanghai and other Chinese ports and some of them from Burma. But in an interesting leader the *Straits Times* analysed the crimes of violence perpetrated in Malaya during the first half of June, and pointed out how when guns were drawn in a Singapore factory it was because of a feud between Hokkiens and Hylams, who differ in blood and speech; how two Chinese miners were murdered in order to terrorise their comrades to continue a moribund strike; how many Chinese are butchered for being officials of the Kuomintang and how a British planter was done to death during the enactment of an ordinary squalid robbery of coolies' pay. In all these cases and in most of those more recent, there were a number of different and immediate causes, even if the general irruption of Communism was one factor.

#### Chinese influence on trade unions

Mr. Gallacher in the Commons and Left-wing bodies in Malaya would ascribe the epidemic of violence to labour unrest. Undoubtedly the scarcity and prohibitive cost of rice, Malaya's staple food, upset labour after the eviction of the Japanese. But the Malayan Indian Congress, at any rate, is convinced that industrial discontent is not the cause of the criminal outrages, and it has claimed that no gunman has been an official or even a member of any trade union. When that view was expressed it was in de-

#### Stamp Duties

Stamp duties are imposed on all documents required to be stamped under the provisions of the Stamp Ordinance (Cap. 228).

The principal duties are:—

Agreement under hand only ..	25 cents.
Bill of Exchange including Promissory Note .. . . .	5 cents for every \$100 or part thereof.
Cheque .. . . .	4 cents.
Conveyance .. . . .	\$1.50 for every \$250 or part thereof.
Mortgage .. . . .	\$1.00 for every \$500 or part thereof.
Receipt .. . . .	4 cents.

The total amount of Stamp Duties (various revenue services) collected in the year 1947 was \$650,624.73.

The Stamp Ordinance also provides for the imposition of a duty on totalisator bets and sweepstakes. The rate of duty was increased from 5% to 10% with effect from the 17th October, 1947. Racing was not resumed at the Singapore Turf Club until November, 1947. The total amount of duty collected in the year 1947 on totalisator bets and sweepstakes was \$305,473.55.

fence of the liberty of trade unionism, but it could be supported by figures to show there were then only twenty-three strikes within the borders of the Federation, involving only 4,300 labourers. Those figures are not startling. But the local developments of trade unionism have not appeared harmless even to a Government which, undismayed by the social ferment in Malaya at the end of the war, relentlessly poured the new wine of Europe's trade unionism into the old bottles of the Chinese kongsi or guild. So that, now, to block channels of easy communication for Communist propaganda it has had to declare illegal a Pan-Malayan Federation of Trades Unions along with its affiliated State Unions. That Pan-Malayan organisation, which claimed a membership of 120,000, cannot therefore legally continue to take part in any trade dispute or promote or finance any strike or lock-out or provide strike benefits.

It is necessary to prevent carpenters from infecting miners, no doubt, or domestics from inoculating rubber-tappers with a deadly political virus distinct from innocuous aspirations for social betterment. But this Pan-Malayan Federation of Trades Unions has provided a signal example of the invertebracy of Whitehall. In the Malay States it has been abolished and legal recognition withdrawn; in the Colony of Singapore, which was never instructed to adopt the policy of the rest of Malaya, it exists still because it has not been registered there and receives only tacit permission for its activities. Sooner or later Singapore, too, may have to break it up, seeing that already there have been instances of what looks like the centralised planning of simultaneous strikes by workmen as different in their circumstances as tin-smelters and dockers. Governments which introduced the European brand of trade union at a premature and inopportune moment can hardly be accused of wanting sympathy for Asiatic labour, but the retort to their altruism has been the emergence in modern shape of a sinister element which in another form permeated the age-long Chinese kongsi. That this subterranean element is more contemptuous of society than it ever was is beyond dispute. Call it Communism or what you will, it has rioted through China, Burma, Siam and Malaya. But its spiritual home has been China, where, apart from being on the border of Soviet Russia, men have never regarded the claims and value of the sovereign State as against the call of the family, the clan and the guild.

The Japanese war brought that subterranean element to the surface. In China and in Malaya anarchy became patriotism. To aggravate the misrule weapons were put into the hands of youngsters intolerant of the Confucian code with its condemnation of fighting men as the lowest of the low. Nor on our return to Malaya were British conduct and British policy always conducive to the restoration of lost prestige. The British Government, in its reaction against Fascism, talked vaguely of democracy for a country where (as a prominent official of its Chinese de-

## SHANGHAI'S FOREIGN BUSINESS COMMUNITY AND THE CHINESE ECONOMIC REFORM MEASURES

Besides superficial and often disingenuous praise of the new Chinese yuan currency and the introduction of emergency economic reform measures little constructive criticism was heard in China and in Hongkong. Everybody seemed anxious to register his hopeful expectation that the stability of the so-called gold yuan in China would eventually prove a success and emphasis was put on the inter-relationship of China's prosperity with the material well-being of the rest of the Far East and the world.

In private conversations with traders and financiers very little confidence has been in evidence concerning the possible outcome of the economic reform measures of China as decreed by President Chiang on August 19. The two potent factors militating against the stability of the "gold" yuan are the continued and recently further expanded civil war in China — in which Communist armies appear to be constantly on the offensive — and the badly unbalanced state budget of the Central Government of China.

Writing under the name de plume of "Merchant" a prominent foreign business man of Shanghai has outlined the problems facing the economy of China and his views were generally endorsed by the foreign community of Shanghai. The American owned "Shang-

hai Evening Post" of Shanghai published the views and conclusions of "Merchant" and fully associated itself with them in an editorial article. Following are the outline of conditions in Shanghai after the introduction of the new "gold" yuan currency, and suggestions for real reform and improvement written by "Merchant":—

\* \* \* \*

The new Chinese currency has been successfully introduced, and, by means of rigid control, inflation in Shanghai has been halted, and the black market eliminated. To achieve this purpose, the stock exchange has been closed, the buying and selling of shares has been declared illegal, the granting of import licenses has been temporarily postponed; in short, nearly all business has been brought to a standstill. It is very likely that these drastic measures were the only measures that could bring success. Inflation with the old currency was so headlong and uncontrollable that very strong measures were required to check it.

The Government has called upon all Chinese nationals to surrender their holdings of gold, foreign currency, and foreign assets held abroad. These solid assets have been exchanged for the new gold yuan. If the currency should fall again, these people will lose practically everything they possess. The commercial banks too will have yielded up the major part of their assets in exchange for gold yuan.

Hitherto, the Government has been bankrupt, but the banks and merchants have had wealth. Should the currency depreciate again, both Government and people will be bankrupt, and there would be a financial crash of tremendous magnitude. The Government's responsibility is very serious.

### Adjustment of Commodity Prices

The first task is to adjust price levels. At present, prices are frozen at the levels prevailing on August 19,—obviously a temporary expedient, because prices were erratic like the currency, and in many instances are below present costs. This job must be tackled systematically, commodity by commodity, and prices must be fixed at figures which will allow the merchants or manufacturers a fair profit. We presume that investigations are already in progress, and that the necessary adjustments will be announced in the near future. No system of subsidies can be used to maintain these fictitious prices. The problem must be approached boldly and realistically.

### Problems of Foreign Trade

The second task, more difficult than the first, is to promote trade. In the

partment noted) there was no demand at all for democracy. As might have been expected, what this ill-timed concern with the irrelevant did stimulate, was a notion already latent among the ignorant that the British were down and out.

High officials new to Asia held out the hand of friendship to humble Asiatics who regarded their condescension with derision as a barbarous gesture symptomatic of fear. The position recalled the remark of a Filipino when the American first hailed him as his brother. "He must be an inferior type of white man," he observed. But compared with the Chinese hooligan the Filipino was a civilised gentleman. Nor had he been given a rifle by his white friend.

Difficult as the forest-clad terrain of Malaya is for police and soldiers, it is pretty certain that hanging and banishment will soon drive terrorists to earth. But how they are to be ferreted out of Malaya altogether has yet to be discovered. If Communism were proscribed, the Kuomintang might have to be proscribed also, and then we should have antagonised all the immigrant Chinese labour in the country.

— Sir Richard Winstedt, in the *Spectator*.

Final analysis, no currency is sound unless it can be used as a vehicle of trade, both domestic and foreign. China needs to import all manner of capital goods and essential raw materials. In order to acquire the exchange for this purpose, it follows that exports must be greatly expanded. A good deal of publicity has been given to China's export drive, but the results are disappointing.

Exports certainly have increased in value, but the results have fallen far short of what can be achieved. For instance, the cotton mills have been permitted to export up to 10 per cent of the output under a most clumsy barter system. Recently this figure of permissible exports has been increased to 20 per cent. Now instead of restricting exports by the mills, every encouragement is needed to make them export, not 20 per cent of their output, but 80 per cent of their output even at the expense of the domestic market. This is what is being done in England, and the same attitude should be adopted in China. Everything should be sacrificed to exports.

Moreover, the mills should be absolutely free to make their own export arrangements, to sell at the best prices obtainable, and in any market. The cumbersome barter system should be dropped. The Government should allocate cotton to the mills, and the allocations should be proportioned according to the export record of each mill. The cotton mills are great potential earners of exchange, and this source should be exploited to the full. The example of England could be cited again. Sir Stafford Cripps depends very largely on the export capacity of the textile industry.

It is well known that the closing of the Yangtze to foreign shipping has been a handicap to the export trade. Before this short sighted policy was adopted ocean-going vessels from New York or Liverpool could load or discharge cargo at Pukow or Hankow, thus saving the enormous cost of transhipment at Shanghai. This beneficial arrangement is now impossible due to the selfishness of a few monopolistic Chinese shipowners. The authorities, in their export drive, should certainly throw the river open again, and bring the vital export cargo to port in as cheap and as direct a manner as possible. As the authorities have fearlessly tackled the black market operators, so they should fearlessly approach this problem of river and also coastal shipping, and bring back the assistance of foreign shipping lines just as rapidly as possible.

#### Lack of Cooperation between Government and Business Executives

We have mentioned two tasks, confronting the authorities, the first to adjust prices to a realistic level, and the second energetically and purposefully to promote the flow of trade, especially by concentration on exports. A third task remains to be mentioned, and it is also important, and that is, to secure the confidence and cooperation of the bankers and industrial leaders of Shanghai. In pre-war days

the Government leaned heavily on these leaders. A rift occurred in 1939, which has widened ever since. At that time, the Government moved from Nanking to Hankow, and finally to Chungking. At Chungking Government officials endured privations and suffered from daily bombing visitations by Japanese bombers.

Meanwhile, according to Chungking views, the leaders of industry in Shanghai were growing rich in safety, profiting by the war! When the Chungking officials returned to Shanghai after the war, they were all anti-Shanghai. *This feeling of antagonism has persisted, and the old days of co-operation between the Government and the industrial leaders of Shanghai have never been restored.* A good deal could be written in defense of Shanghai's leaders; suffice it to say that, during all the bitter years of the occupation, most of them remained true to "our Government," and successfully resisted all Japanese attempts to enlist their cooperation. But dismissing the rights or wrongs of the misunderstanding, the essential step is to let bygones be bygones, and to start afresh to secure the active support of the merchants of Shanghai, who remain by their resourcefulness, character, energy and enterprise, one of China's great assets.

#### Failure of Government to attract private capital

The harmful effect of the divorce of the Government and the merchants is well illustrated by the recent flotation of shares in the Government-owned China Textile Industries, China Merchants Steam Navigation Co., Ltd., etc. On September 10 the Government offered these shares to the public. They invited subscription for about GY 550 million, and on the opening day they received about GY one million! No greater "flop" could be imagined. Had this issue been made under private auspices, properly underwritten and issued, in smaller amounts, one flotation after another, they would have been heavily oversubscribed within half an hour of opening the lists to the public. As it was, with pathetic incompetence the Government floated the shares on the market without even taking the trouble of issuing a prospectus, proving the assets, stating the past records, giving the names of the Directors, or any other vital information which the investing public wants to know.

In 1937 and 1938 when the Japanese Army seized all the Chinese mills, they handed over the management to the Japanese millowners. When, in turn, the Chinese seized the Japanese mills, instead of turning them over to the Chinese millowners to manage, they placed them under Government control. In the case of the present flotation it is an elementary principle that the Government should have sought the advice and support of the merchants. *Instead of that, acting on their own, they closed the stock exchange, prohibited all dealings in shares, fixed selling prices for yarn at a level that made the mills lose money, and then offered for sale*

shares in Government-owned and Government-managed mills.

#### Urgent need for proper Economic Control

This ineptitude, and the urgent economic problems facing the country, point to the urgent necessity of creating a small executive body to control all economic planning. As Sir Stafford Cripps, the second man in England, is the supreme controller of all economic matters in that country, so an equally authoritative person, or collection of persons is requisite in China. Young General Chiang has the drive and courage, but not the experience, and he needs the advice and assistance of practical business men, not mere theorists or Government bankers. He needs to enlist the whole-hearted sympathy, backing, and experience of the merchants.

A great deal of uneasiness has been created in the entire business community by the large number of arrests for infringements of the laws regarding currency. On the one hand the Government invites all persons and companies to surrender foreign currency and securities, and promises not to enquire into the source of those foreign holdings. The implication is that in a good many cases the source must have been illegal. On the other hand, people are being arrested for currency transactions made prior to August 19. That is an illogical situation, and nobody knows where he stands. The Government should clearly state that they will condone offenses before August 19, and severely punish offenses after that date.

Incidentally, a banker friend cites an interesting example of what would have happened to the man who strictly obeyed the currency laws. In 1937 he had a bank account of Chinese \$1,000,000, equivalent in those days to US\$330,000,—a wealthy man! In 1941 when the Pacific War started, the Japanese introduced a new currency, called the C.R.B. at CRB\$1=C\$2. Thus, his deposit of CN\$1,000,000 became CRB\$500,000. When the Chinese returned in 1945 they introduced the Chinese National Dollar, and called it CN\$1=CRB\$200. Thus the deposit dwindled from CRB\$500,000 to CN\$2,500. Finally, on August 19 the Gold Yuan came into being at the rate of GY1=CN\$3 million. Thus our CN\$2,500 became GY0.0008, or US\$0.0002. This hypothetical honest citizen started with a bank balance of US\$330,000, and ended up with US\$0.0002. It is time to discontinue any further proceedings against people who took steps to evade this fate.

#### The inefficient Chinese Army

Parallel with these economic measures, the Government must show evidence that there will be reforms in the Army. There lies the greatest source of uneasiness, and distrust in the currency. A small, compact, well-trained, well-paid, disciplined and efficient fighting force is what is required. The country could support such a force, and could rely on it to obey orders, and really fight the Communists. A

declaration of policy in this direction is badly needed. The Government seems very reticent on this question, and at this stage of a new economic pattern, a statement of Governmental views would do much to dispel the general sense of uneasiness concerning the expensive but inefficient army.

There is no question that China faces a very grave crisis, and that unusually bold and wise steps must be taken to surmount the well-nigh inseparable difficulties which lie on every side. A collapse of the new currency would bring disaster, and the entire community should rally round the Government to lend support to the new economic measures.

#### Position of Foreign Firms & Investments in China

Another urgent task is to draft regulations governing arrangements to permit foreign enterprises to remit their profits and reasonable expenses abroad. Foreign investments in China should be invited and encouraged. Foreign capital is vital to China's development. But foreign capital will not be invested in China unless provision is made to get the profits out again.

The regulations should provide that if any foreign company starts up a factory in China, the company will be given permission to remit profits up to say 10 per cent of the original value of the plant plus 10 per cent of the capital invested in raw materials, plus depreciation, plus expenses for foreign employees, plus insurance. If the plant is an existing one, instead of taking the original value of the plant, the balance sheet value should be taken. Thus, if a plant cost US\$100,000, and the capital invested in raw materials was US\$50,000, we might have the following hypothetical figures of the amount of money the company should be allowed to remit abroad each year:

10 per cent profit on US\$ 150,000 .....	\$ 15,000
8 per cent depreciation on plant cost \$100,000 .....	8,000

*Depreciation would vary. On power plant, water purification, textile machinery, etc., depreciation would be 5 per cent only. It would be as high as 8 per cent on air-conditioning, chemical, and similar plant.*

Foreign Currency expenses of foreign employees, say	4,000
Insurance say .....	2,000
Total .....	\$29,000

Banks and merchant houses should be permitted to remit abroad up to 10 per cent of the amount of the capital employed, plus expenses for foreign employees.

The Central Bank should not haggle or hesitate over taking this important step. At comparatively slight expense they could reestablish foreign confidence in China. *If the present impasse goes on much longer, China will be written off as a place for investment, and foreign capital will be invested in more profitable and hospital markets.*

#### Chinese Obstruction to Foreign Travellers

Another point which surprises the foreign visitor to China is the difficulty that is made over bringing foreign currency into the country. It is easy to understand that the authorities do not wish to see foreign currency going out, but they should welcome foreign currency coming in, and should handle it with the minimum amount of red-tape and trouble to the traveller. In England, the method is to make a note in the passport of the amount of foreign currency brought in, and the visitor is allowed to take the same amount out.

Other countries spend much money and effort to attract tourists, understanding that the tourist trade is a profitable invisible export, but China makes no efforts to welcome tourists, or to advertise the unexcelled beauty and interest of Peiping, the Yangtze Gorges, the Sacred Mountain, and so on. On the contrary, tourists are inclined to shun China. The authorities make it hard for them to spend money, and passing the Customs is one of the most trying ordeals in the world. At the airport, there may be ten passengers, and 25 customs examiners, two and a half per passenger, and they examine the passengers on the assumption that they are all arch-smugglers.

#### Rentals and Properties

The new economic set-up should include a thorough overhaul of the property situation. The authorities have frozen rentals at pre-war figures multiplied by an arbitrary factor of nine thousand. The currency meantime has depreciated by three million six hundred thousand. Thus the landlords receive practically nothing for their property. The real estate companies are losing heavily. The situation is rendered more bizarre by the acute shortage of housing and office accommodation. Those landlords who had old tenants from before the war get nothing; but those landlords who had vacant possession can get enormous rentals.

There is a large office building in town in the former category; it was fully occupied when the owners came out of a Japanese internment camp. It is a modern reinforced concrete structure, with three floors, each of 12,000 sq.ft. The total rental from the entire building for the month of August was GY 186 (US\$46). On the other hand, a small five-room house in the Hung'ao district realised a rental the equivalent of US\$250.

The municipal taxes are collected on the basis of these ridiculously low rentals, so that it is no wonder that the municipal finances are always in the red. As a whole, wages of all classes, workers, as well as the salaried class, are higher than they were before the war, so that most of the residents of Shanghai can afford to pay reasonable rents and reasonable taxes.

All incentive to build property, except for private use, has disappeared, and in addition, the municipality has to rely upon enormous subsidies from the government to make good the deficit in municipal expenditure, contributing thereby to the unbalanced budget. The remedy is obvious, and lies readily at hand. Just before the Pacific war the late Shanghai Municipal Council employed a special commission of experts to reassess the tax paying values of all property throughout the old International Settlement. These figures should be taken as a basis both for rentals and taxes. Thus, real estate would assume some value again, and municipal finances would be placed on a sound basis.

#### Action against Shanghai's rich men

We have already mentioned the anti-Shanghai attitude of the authorities, and the necessity for changing that attitude and gaining the confidence and support of merchants and bankers. In view of the speech of Maj-Gen Chiang Ching-Kuo before the Youth Army it seems important to ask the authorities to remember that if they are really determined to make their financial measures a success, they must not look on profit-making as a crime.

The general holds up Mr. Yung as a robber. He is in fact a wealthy capitalist. The general seems to think that "capitalist" and "robber" are synonymous terms. In the more advanced countries, commerce is not regarded in this light. It is a fundamental fact that commerce creates wealth, and is the foundation of a great state. Armies are maintained for no other purpose than to protect the countries' commerce. Commerce comes first. Without commerce there can be no wealth, and the army and the state cannot be maintained.

Industry must be given full opportunity to develop, and to make profits. Otherwise there will be a cessation of interest. The leaders of industry will find that to plan, to build, to accomplish is an effort, and a risk, that leads nowhere. They will say, why work? Why scheme? Why bother? In building up their business, leaders of Chinese industry are building up the strength and influence of China, and the fortunes of their co-workers. It is most important that the Government should bear this in mind.

Private enterprise in China should be encouraged, and state trading and manufacturing should cease. The Chinese are more individual than any other nation in the world. That is why there are no large joint stock companies. They do not cooperate well with others. All the large concerns are family affairs, and very often, even the members of the same family fall out, and start up separate enterprises of their own, which they can manage in their own way. It will take a few more years in the industrial age of China before large scale cooperation in business will be successfully adopted.

It follows then, that State management by Government officials is always inefficient and cumbersome. The recrimination, mistrust, and internal feuds in these organizations spell failure from the start. The system of checking and counter-checking in the Government owned China Textile Industries makes it necessary for every purchase order and routine document to bear 10 signatures! When speaking of a four year programme of the future requirements of the Government owned China Merchants Steam Navigation Co., Ltd., the officials smilingly wonder whether they will be holding their appointments in so remote a future. The authorities must take cognisance of these obvious facts, and by all means in their power should capitalise on the genius of their people which is the conduct of private trading.

### The Shanghai Stock Exchange

Needless to say the stock exchange should be opened again, and the status of local foreign companies should be defined. On the abolition of extraterritoriality all the local British companies, for technical reasons, moved their head offices to Hongkong, and, for convenience, most of them converted their capital from Chinese dollars to Hongkong dollars. The majority of the shareholders are in Shanghai, and as the companies have been established here many years, it follows that trading in the shares is restricted to Shanghai. There is a most limited market in Hongkong for two or three of the shares, and no market whatsoever for most of them. As the shares are traded in Shanghai they are always quoted, and bought and sold, in Chinese dollars, notwithstanding the fact that the face value might be in Hongkong dollars. Thus these shares cannot be regarded as foreign currency, and the Chinese shareholders, who represent the majority in most of the companies, should not be requested to surrender these shares. If they were to be surrendered they could not be sold for foreign currency, so that no advantage would be gained by the authorities, but endless confusion would arise in the market—and, of course, trading in the shares would be impossible. An important step towards the restoration of normal business conditions will have been taken when the stock exchange is reopened, and also when local foreign shares can be traded again.

### Conclusion

To conclude, the currency has a last chance to survive. It cannot survive by decree or by control alone, however rigid it may be. What is required is a sound backing, supported by the aid of the merchants; and the confidence of the merchants can be won by a series of swift and wise economic measures, aimed at helping the merchants.

The authorities must give encouragement to the merchants. In broad principle, the authorities have

## NEW EXCHANGE CONTROL REGULATIONS IN HONGKONG

Before the war, Hongkong was not a part of the sterling area; the value of her money, the Hongkong dollar, was governed by the Finance Ordinance of 1935 which instituted the Exchange Fund. Since that date the value of the Hongkong dollar has been maintained at one shilling and threepence, except during the Japanese occupation. It was immediately after the liberation that the inclusion of Hongkong in the sterling area was decided.

By this decision the British Government intended to apply to Hongkong the same system of exchange control as was operating in the United Kingdom and other countries of the sterling area. But on account of the peculiar situation of this free port and the importance of her entrepot trade, it was quickly recognised that such a system was impracticable and even damaging to the economic development of the Colony. Besides which, the geographical position of Hongkong right on the borders of Chinese territory, the number and importance of Chinese business houses established in Hongkong and the commercial expertness of their managements would quickly have found the weak spots in any rigid system of control.

Consequently, the governmental instructions from the United Kingdom while transmitting to the Hongkong authorities the same powers of control over all exchange operations as exist in London, left to them entirely the discretion of applying such control. The Hongkong authorities made good use of this discretionary power, and the commercial success of the experiment has been shown by the rapid and considerable development of foreign trade.

Contrary to the rigid system of exchange control in force in Britain and all other countries belonging to the sterling area or the franc area (a system which includes, among other things, the surrender at the official rate to the authorised banks of the total amount of foreign currency obtained by the sale of merchandise) the Hong-

kong authorities collected only 25% of the proceeds of a few selected produce exports, leaving the traders complete liberty to utilise the balance as they pleased. (However, all Empire goods, re-exported from Hongkong, surrendered 100%). A great percentage of the free export proceeds were negotiated on the free market which imposed, as a result of the free play of supply and demand a scale of comparison between the pound sterling and the U.S. dollar, attaining sometimes less than 3 U. S. \$ although the official rate is fixed at 4.025 US\$ per sterling pound.

The free disposition by the merchants of the full receipts in foreign currency and the existence of a free exchange market are the two most tangible proofs of the latitude with which the Hongkong authorities applied London's instructions regarding exchange control.

If it is no exaggeration to say that the elasticity of this system of control has given Hongkong very satisfactory trade results, but it is no less true that it brought, on the other hand, certain disadvantages of which the principal has been some flight of capital and revenue from the sterling area towards other places. There exists also the danger of seeing the entrepot trade of Hongkong developing, little by little, against the British financial interests by reason of too great freedom being allowed. In effect, thanks to Hongkong's being a free port, considerable quantities of merchandise coming from countries in the sterling area could be re-exported to soft currency destinations at a time when, without this facility, they would have been able to be directed in many cases to hard currency countries. And further, the sterling pool earned little in hard currency; most export proceeds being disposed on a free market where numbers of speculators could operate without restraint.

So it is correct to say that, thanks to the freedom of the exchange market in Hongkong and by reason of the more favourable unofficial rate of exchange for the pound sterling than on the markets of New York, Zurich, Antwerp, Amsterdam, Paris etc. it was possible to buy with sterling large amounts of dollars, transfer them to Europe and there again transfer them to sterling or any other currency at a more advantageous rate. The possibility of such arbitrage has also, to a slight extent, facilitated the expatriation of sterling capital to the United States.

This state of affairs, being a nuisance to the interests of the sterling area, attracted the attention of the British authorities and the question of exchange control at Hongkong has been brought up in the House of Commons.

lost sight of the truism that the trade of a country should be handled by its traders, and not by the Government. Now that the young General Chiang Ching-Kuo is appointed to a permanent post in Shanghai it would be a great advantage if he would seek an early opportunity of obtaining the advice and the views of some of the prominent American and British members of the Community. Many of them have a considerable stake in this country, and are deeply interested in its welfare. It should not be forgotten that the enterprise of these foreigners built up Shanghai and their good advice should help at this juncture.

As a result of the inquiries further instructions have been addressed to Hongkong with a view to re-inforcing the exchange control and limit as much as possible the evasion of sterling capital. The measures that have been taken in consequence of this are of two sorts; the first are concerned directly with financial operations whilst the second constitute in themselves a new regulation for external trade.

Circular No. 53 of the Exchange Control of Hongkong, dated 20th July 1948, subjects to a preliminary licence of the Exchange Control, all monetary transactions between Hongkong and the United Kingdom, excepting those enumerated below:—

1) Operations of which the value is not more than £500 or its equivalent in other sterling currency. 2) Transfers resulting from imports and exports deemed to be effected. 3) Payments of assurance premiums and various adjustments. 4) Travelling expenses. 5) Payments of dividends and interest.

The immediate effect of this first measure has been an appreciable reduction of US dollar transactions on the Hongkong free market.

The instructions concerning the new Export Regulations of Hongkong are contained in Circular No. 55 of the Exchange Control dated 31st July 1948. These instructions, applicable as from the 3rd August 1948 are as follows:—

1) The amount of export proceeds which are not financed in U.S. dollars and which are destined to countries other than those of the sterling area, —with the exception of China, Macao, Korea, the United States, American possessions and the Philippines must be deposited in an authorised bank in accordance with the present regulations of the Bank of England. This payment is at all times acceptable in sterling pounds drawn on an account in the U. K. and established in the name of a resident of the country to which the goods are exported, or in Hongkong dollars drawn on an account opened in Hongkong in a bank of the country of destination of the goods. In the case of any other mode of payment from those above-mentioned being suggested it is necessary to refer the matter to the Exchange Control.

The banks are reminded that credits cannot be opened to accounts established in their books in Hongkong dollars in the name of their agencies or correspondents situated outside the sterling area without first obtaining authorisation. By reason of the new regulation the attention of the banks is particularly drawn to the way this is applied to the accounts of their agencies or correspondents established in Siam, Indochina, and the Netherlands Indies.

2) Exporters can keep in their possession the currency obtained by the sale of goods originating in China, Hongkong, Macao or Korea where payment is made in American dollars, and exception being made for goods enumerated in the lists "B" and "C"

List "B": Wood Oil, Tin (of Chinese origin), Silver (authority of the Exchange Control first necessary). List "C": Ginger, preserved. In the case of goods included in list "B" the exporters may retain 85% of wood oil and 75% of tin and silver of the F.O.B. value of the sale when it is financed in U.S.\$.. In the case of the list "C" 50% of proceeds in U.S.\$ must be surrendered.

3) When the goods are exported and the relative currency proceeds are to be surrendered, the banks must advise their clients that if the documents, whether accompanied or not by a bill of exchange, are negotiated without the cover of a Letter of Credit the client will be required to surrender to the Exchange Control the equivalent of the goods either in appropriate form or in American dollars in the case where payment for the transaction would be refused; the banks must not, in consequence, accept on the part of the exporters re-imbursment either in whole or in part without referring the matter to the Exchange Control. In the case where the negotiable bills or documents are presented for collection the banks must not accept the instructions of their clients concerning the delivery of goods to the drawee or to the consignee or any other party without charges or with a reduction of charges without the authority of the Exchange Control.

It is apparent that these recent measures will have a certain unfavourable general repercussion on the economy of Hongkong. The proposed aim of the tightening of the Exchange Control can only be achieved at the expense of the commercial development of Hongkong and in particular of that of her entrepot trade. However, by the very reason of the fact that restrictive measures may have some unfavourable effects on the commercial activity of Hongkong, which is suffering already from a mild selling crisis, one can believe that the Exchange Control authorities will continue to practise the policy of understanding and the liberal interpretation of the rules that they have followed up to now.

The new regulations, insofar as they concern the trade relations between Indochina and Hongkong, while introducing supplementary administrative formalities, do not seem theoretically opposed to what are called compensating exchanges which have shown a certain expansion during the last few months. In effect, the proceeds from the sale at Hongkong of Indochinese goods may be paid into an Indochina account at an authorised bank in Hongkong; this amount may then be used to pay for goods bought in Hongkong and destined for Indochina. This procedure takes for granted that the export from Indochina will precede the import of goods from Hongkong, which has not been the procedure up to the present. In order to permit the compensating exchange to be accomplished it will be necessary either to change the procedure of the operations in order to conform to the new regulations at

## HONGKONG STOCK & SHARE MARKET

During the week, Sept. 20 to Sept. 24, a dull and listless market prevailed. Trading was at a slow pace. As a consequence prices generally gave way fractionally. At the close the trend remained uncertain with the Felix Ellis Averages registering a new low for the year of 140.13.

Operators continued to adopt a cautious attitude, and are probably awaiting news of an easing of the tension regarding Berlin. The uncertainty induced many to liquidate positions and sit on the side lines.

Therefore, should the political outlook improve or continue to drag on as at present without deteriorating into a crisis, observers believe the market can improve on favourable domestic factors. The important local factor that will play a major part in any upswing is earnings. At the present time the prices of the majority of stocks are unrelated to earnings which have not only been maintained but show substantial increases over those for 1947.

Contrary to the trend of local issues, Shanghai Lands improved to a business rate of \$6½ on reports of a general rise in property values in Shanghai following the Chinese Currency reform.

Total sales reported amounted to 45,127 shares of an approximate value of \$1½ millions an improvement of \$¼ million compared with the preceding period.

The Felix Ellis price Index based on twelve representative active local stocks closed at 140.13, a new low for the year, and shows a net loss of .62 compared with the previous week. Day-by-day averages were: Sept. 20, 140.64; Sept. 21, 140.39; Sept. 22, 140.39; Sept. 23, 140.15; Sept. 24, 140.13.

The High and Low for 1947 were 155.82 and 123.86 respectively. The High for 1948 was 148.68 on February 12, while the low was 140.13 on Sept. 24th.

### Business Done

H.K. Govt Loans: 3½% (1948) @ 101½; 3½% (1934) @ 100.  
Banks: H.K. Banks @ 2025, 2030, 2010; Bank of East Asia @ 141.  
Insurances: Canton Ins. @ 385; Unions @ 795, 790; Underwriters @ 7.  
Docks & Godowns: H.K. & K. Wharves Old @ 140; H.K. Docks @ 29½; S'hai Docks @ 19½.  
Hotels & Lands: H.K. Hotels @ 15.20; Lands @ 72, 71½; S'hai Lands @ 6, 6.10, 6, 6.15, 6.20, 6, 6½; Humphreys Estates @ 22½, 22¾.  
Utilities: H.K. Trams @ 21, 20.80, 21, 20.70, 20.60, 20.70, 20½, 20.60 and

Hongkong or to clarify particular methods of applying them between Hongkong and Indochina.

—M. PEYRONNET

# EXCHANGE & FINANCIAL MARKETS

## US DOLLAR MARKET

Fresh demand coming from gold importers in Macao improved the tone of the market; at the same time buyers of notes and drafts were much in evidence as outport (including Japan) demand for these counters rose.

The turnover on the native exchange market was last week considerably in excess of recent weeks' average; it totalled US 2,049,000, viz. TT 1,180,000; drafts (payable in the US) 503,000; notes 366,000.

### Trade Recession and Government Controls

Merchant demand was still very gingerly in coming to the fore; the trading position shows no sign of improvement and the same spirit of reticence in the face of an increasingly determined buyers' market was evident in almost every commercial line. Go-downs show no sign of faster clearing, outport off-take is undecided and the impression of a trade recession to remain here for several months more, at least until Chinese New Year (early February 1949), has become rather general.

Many traders prefer now to talk of a "depression" having set in but this term is an exaggeration in view of the still large trade which flows through the Colony.

However, the signs for overall retrenchment are clear for all to see; it appears that even the Government here has become aware of it although no positive actions have as yet been taken to counteract the influences of the current trade recession. The most essential effort by Government to assist merchants in the present period of trying commercial conditions should be a policy of obliging Government to be extremely careful with the imposition of new controls and other regulations which often additionally harm business interests in the Colony.

As trading becomes more complicated and profits decline at an alarming pace it is no wonder that many merchants blame Government controls and interference as one of the most unnecessary causes for the trade recession. The large store of good will which Government slowly acquired here during the

years 1946/1947 is now in danger of being dissipated unless real proofs are forthcoming that Government here does not wish to impede but remains anxious to promote commercial activity.

The impression has been gaining ground that many Government institutions are no longer helpful to the trade and that their actions are often tantamount to obstruction of the ordinary commercial development.

### Unofficial quotations & cross rates

Highest & lowest rates last week (per US\$ 100)—notes HK\$ 524½—511; drafts 524½—512; TT 526½—515½ (or US\$18.99—19.41 per HK\$100, a discount on the official rate of 22.36% to 24.04%). The local sterling cross rate was US\$3.105 (high), 3.039 (low).

In overseas free exchange markets the cross rates for sterling (US resident account) are lower than in Hongkong with the sole exception of the Tangier exchange where the cross usually moves around US\$ 3.25 to 3.35. Last week Zurich quoted sterling at a cross of 2.75/2.78; New York 2.85/2.90.

Recent unofficial sterling cross rates in principal exchange markets abroad were as follow:—Tangier (International Zone) US\$ 3.30; Brussels 2.75/2.85; Lisbon 2.95/3.05; Rome 2.80/2.85; Paris 2.70/2.78.

Bank of England notes find a large market in New York where last week US\$ 2.78 to 2.86 were paid; Tangier quotes 2.85/2.90; Paris, usually the lowest sterling exchange on account of the many British travellers, as low as 2.60 to 2.65; Zurich 2.72.

In terms of Swiss franc, the world's hardest and most solid currency, sterling (UK resident account) quotes in foreign exchange markets as follows:—Zurich Swiss frs. 10.70 to 11.25; Brussels 11 to 11.40; Paris 10 to 10.50; Rome 10.50 to 11; Tangier (International Zone) 12.50 to 13.50.

Foreign account sterling usually quotes some 10 to 15% below the official US cross rate in London (4.03).

### Local native exchange

Besides the transactions taking place either in the native banks' own clearing or in the Gold & Silver Exchange Society there is some business conducted among traders directly; many exporters of China produce sell their free-proceeds in New York to Hongkong importers (at the rate as established by the local native exchange market) which amounts do not appear in the daily records. Some business in US drafts, originating from overseas Chinese, also does not pass through the local native exchange as the remitees (or their authorised representatives) directly sell them to importers (of gold or merchandise) or others who require funds in the US.

The largest business, during last week, in notes and drafts was conducted by the native banks of Hing Ip, Sun Wah, Chuen Yun and Chiap Yao. In the TT business the four or five leading native banks remain unchallenged.

## SILVER MARKETS

Imports of silver were nil on account of the favourable buying rate of the Central Bank of China (Yuan 3 per oz) attracting all bullion and coins on offer. Hongkong dealers and exporters cannot compete with the Nanking treasury as long as the unofficial rate for yuan remains at current levels, i.e. being only slightly lower than the parity.

Local stocks of silver bullion have run very low and there is only little of 20 cents coins available. Stocks have been further depleted by the purchases made at high price in Canton by officially appointed banks.

The local market transacted last week: 78,000 taels, involving approx. \$312,000; and \$4,000 worth of dollar coins and \$22,000 worth of subsidiary coin.

Prices remained stagnant in keeping with New York and London rates (75¼ US cents and 46 d). The silver tael sold from \$4.01 to 4.03, that is about \$3.30 per oz. fine. Since the Chinese treasury buys at yuan 3 per oz and the black exchange rate for TT Canton is only 5 to 6% lower than the parity the proceeds for silver sellers in Canton was last week about HK\$ 3.75 to 3.80 per oz.

If exports from here to the US are effected not only has the exporter to sell to Hongkong Govt. 25% of his proceeds at the official rate but he has also to share with the US Internal Revenue 50% of his profits realised from sales in the States. Under these conditions silver imports from China and shipments to the US will cease and the local silver market may, until the Chinese yuan rates in terms of foreign currencies undergo a change, retire for an involuntary holiday.

Silver dollar coins sold last week around \$ 2.63 and the 20 cents coins at \$ 1.95 (per five coins, i.e. per \$ 1 in silver subsidiary coins).

In case of a resumption of exports to New York the local Exchange Control may, like in the case of tung oil re-exports, consider whether a reduction in the present rate of 25% is not necessary seeing that the competition of the silver buying Central Bank of China has effectively stopped the Colony's silver business.

The principal dealers and exporters of silver are:—the Shun Hang (possessing a modern smelter and refining plant, indirectly connected with a Chinese Government bank); the Lui Hing Hop (a Swatow native bank and general trading firm, enjoying credit facilities of an American bank); the

20.70; Peak Trams Old @ 20½; Star Ferries @ 135. 133¾; C. Lights Old @ 22, 21.80, 21.70, 21½; 21½, 21.70, 21.60, 21½ and New @ 17.80; H.K. Electrics @ 39½, 39¾, 39¼, 39; Phones @ 37¼.

Industries: Cements @ 42, 41¾, 41¼; H.K. Ropes @ 19, 19.40; Dairy Farm Old @ 45 and New @ 44; Watsons New @ 54½, 54.

Stores: Wing On (H.K.) @ 105; China Entertainments @ 41½.

Cottons: Ewos @ 17.60, 17.

Chan Tak Fat Hong (a Swatow bullion firm, affiliated with the Man Fat native bank); the Tai Kung Hong, operated by the trading and financial brokerage firm C. S. Ling & Co. The leading exporter was the Mount Trading Co. Ltd., which is partly owned by Samuel Montagu & Co., one of the world's principal bullion firms.

Most silver dealers and brokers are Chiuchow people (from Swatow) and their connections in South China as well as in Siam and Malaya are highly developed and essential for any success in this trading.

## PLATINUM DEALINGS

The Chinese public has only slowly awakened to the advantages of possessing platinum (which is called in Chinese erroneously "white gold"), a metal of great industrial utility and enjoying increasing popularity among European and other peoples. The qualities and uses of platinum were described in our issue of January 28, page 79.

There is always some trading in this metal in Hongkong but business is irregular, depending on the China market for its prosperity. Some imports into Macao have been effected during this year and the Portuguese Colony's import duty was fixed at 3 patacas per oz. So far trade in platinum is free in Hongkong and is not expected to come under control.

The current price is \$ 440 to 455 per tael or \$ 362 to 374 per oz. The New York price is around US\$ 60 per oz. which, at last week's unofficial TT rates, corresponds to HK\$ 309-315. Business last week was small and quantities over 10 taels were hard to obtain. Exports which recently went from here to the US have ceased; one of the leading Chinese native dealers in platinum (Liu Hing Hop Bank) remained idle.

Shanghai investors, left with piles of the new yuan money, have also started buying up, besides houses, land, diamonds etc., any rare metals particularly platinum. At one time during the war the Japanese army in occupation of Shanghai purchased platinum at about 8 times the gold price but usually platinum values on metal and investment markets about double the official gold price. At the moment when the free gold price in New York is between US\$ 44 and 45 the platinum quotation of around 60 appears very low. The war scare, although no longer taken very seriously by the investing public in Europe or America, has contributed to some hoarding in all strategic metals and platinum is in the top group.

## BANK NOTE BUSINESS

Indonesian (Netherlands East Indies) guilders were imported here in heavy lots which caused a collapse in the unofficial quotation. Some lucky traders from Java also managed to get gold out of the closely guarded Indies and into the supposedly Revenue-

leuth-hound-studded Colony of Hongkong. While their profits must have been very satisfactory the local exchange market reacted, as far as guilder notes are concerned, with a decided bearish offensive which ended in some HK\$ 36 being paid for Nica guilders 100; Java guilders quoting a few points lower. Only a few weeks ago the market here offered 45 and over.

There is no official rate quoted in Hongkong by the Exchange Banks Association but the parity should be 66.81¼ guilders per HK\$ 100 (I.M.F. parities for the guilder: 10.69 per £, 2.65285 per US\$). The free market rate, for notes, here is about 72 to 74% lower than the parity.

Total sales in the unofficial exchange market: 540,000 guilders.

Piastre notes had large sales but the rate showed weakness and the outlook is not encouraging; Indochina imports have fallen off during recent weeks and thus demand for piastre notes by traders declined. Little hope is entertained by currency speculators about an improvement in the rate which hovers around HK\$ 11 to 11½ per 100 piales. The Ideo notes have last week almost disappeared from trading.

Sales last week were, in millions of piales:—spot, inside Exchange, 3.94; spot, outside, 5.24; forward market 7.98.

Baht or tical notes have steady business at a rate which is like concrete (HK\$ 25¼ per 100 baht).

Some sales in the pound note market were recorded but on the whole this counter is neglected since many weeks now. The local rate is always lower than the New York free market (about 5%).

The Australian pound boosters were disappointed when the rate quietly slipped back from its recent high of HK\$ 12.78 to the current, and usual, 12.52. All the rumours about an appreciation of the A£ with the Bank of England £ have evaporated into thin air; some people made and others lost money in the wager of A£ to follow or not to follow the New Zealand lead.

## INDOCHINA PIASTRE—OFFICIAL SELLING RATES IN SAIGON

	1938 1947 1948		
	Monthly January		
	Average July to July		
	Francs Francs Francs		
Paris per IC\$	10	17	17
	IC\$	IC\$	IC\$
London .....	17.17	28.40	51.10
New York .....	3.52	7.05	12.70
Hongkong .....	1.07	1.79	3.18
Singapore .....	2.00	3.35	6.00
India .....	1.29	2.14	3.85
Manila .....	1.78	3.51	6.35
Bangkok .....	1.59	0.72	1.29

## GOLD MARKET

The local market transacted last week 30,880 taels on the spot, and 1,159,710 taels on the forward market:—spot, inside Exchange: 8,880 taels, spot, outside: 22,000; forward, for delivery: 519,530; forward, on margin clearing: 640,180.

Highest & lowest prices last week:

	High	Low
per tael, in HK\$ ...	307¼	296
crossrate, per tael, US\$	59	57¼
crossrate, per oz, US\$	48½	47.10

Canton and other South China centres reported brisk demand but prices were only some HK\$ 2 to 4 higher than the local price. Shanghai gold trading was still very secretively done but demand was on the upgrade; the cross rate moving narrowly between US\$ 52-53. The Central Bank of China's buying rate remains at 200 yuan per oz but the black market offered up to 275. The many successful raids and confiscations of bullion have caused extreme nervousness among holders and operators and transactions have significantly declined; nevertheless, spot trading is still very much alive and Chinese domestic gold exchange—which centres on Shanghai—is directed from and via Shanghai.

## Hongkong Gold Market Developments:

Monday, Sept. 20:—Opening and closing rates per tael HK\$ 297 and 296½ respectively. On the forward (speculative, "fictitious") market the change over favoured sellers at the interest rate of 6 HK cents per tael. There was a heavy change over in favour of sellers in Macao at 35 HK cents per tael.

Tuesday, Sept. 21:—Opening and closing rates 295¼-297¼. Change over in favour of sellers at 5 cents.—TT New York rates advanced and thus stimulated higher gold quotations; at the same time actual trading demand for shipments to Canton, increased.

Wednesday, Sept. 22:—Opening & closing 297½-298½. On the fictitious gold bar market the change over was in favour of sellers at 4 cents per tael.—The further advance in the US\$ rate coupled with good demand from Far Eastern markets (Burma, Indochina, Malaya) aside from Canton injected more strength into the rate.

Thursday, Sept. 23:—Opening and closing 298½-298. Change over in favour of sellers at 4 cents. Margin clearing speculation rather restrained probably in view of uncertain outlook for or against "world war III," one of the major gambling issues in this speculative world of ours.

Friday, Sept. 24:—Opening & closing 298½-307¼. Change over 3 cents in favour of sellers.—The jump of almost 10 points was largely caused by renewed although unconfirmed rumours about sterling devaluation; the local comments on the speech by Sir Stafford Cripps were less reasoned and more emotional; the "impending" outbreak of a new war was quite seriously discussed—no wonder after all the belligerent talk and ominous US

## HONGKONG UNOFFICIAL EXCHANGE RATES

(In H.K. dollars)

September	Gold per tael		Silver per tael	Notes		Chinese Yuan		T.T. Canton		Note	U.S. Dollar		
	High	Low		High	Low	T.T. Shanghai	High	Low	High		Draft	T.T. New York	High
20	298	296	4.02	1.29%	1.28%	1.14%	1.14	1.26%	1.25%	5.17	5.13	5.17½	5.15½
21	297½	295½	4.03	1.30½	1.28%	1.14%	1.14%	1.27½	1.27½	5.14	5.15	5.17½	5.15½
22	299	297½	4.04	1.30½	1.29%	1.20	1.20	1.26½	1.26½	5.17	5.17	5.21½	5.18½
23	298½	297½	4.02	1.30½	1.29	1.20½	1.20	1.26½	1.26	5.17	5.18	5.20½	5.19
24	307¾	298	4.02	1.29	1.25	1.18½	1.18½	1.25¼	1.25¼	5.24	5.24	5.26½	5.21
25	307	304½	4.01	1.26½	1.23%	1.19½	1.19½	1.27¼	1.27¼	5.22	5.22	5.26	5.24

electioneering speeches which all point towards great eagerness, on the part of the atom-bomb-producing USA, to start rather today than in one or two years' time "when the Soviets may have the A-bomb as well."

Saturday, Sept. 25:—Opening and closing 307—305. Change over 3 cents in favour of sellers. Although much bear covering continued from Friday, the rate slightly moved down when profit-taking set in. In the unofficial afternoon market the rate was 304½ and opinions as to continued high rates were confidently expressed.

## Gold Import Position:

In spite of the recurrent war scares which are splashed over the headlines of the newspapers the bullion speculation in Europe appears to look at events very soberly; while usually when thunder comes out of the various Chancelleries the gold prices in free markets go up, last week the reaction was shaming the politicians; bullion exporters lowered their prices and invited bids.

FOB European ports there was ample supply at US\$ 44¼ to 44¾. Macao importing banks were having their hands and lorries full getting the incoming gold to their vaults; in fact, almost all gold is stored in the Tai Fung Bank where also refining (of 22 carat sheets etc.), cutting up of large blocks into marketable sizes, shaping etc. is expertly done. Unloadings from flying boats were estimated at over 40,000 ozs.

Because of lower overseas prices and the steady "fee" for so-called ready made import licences (around HK\$ 9, incl. duty) dealers are able to clear an adequate profit. With exports again moving out at a faster pace than was observed during many weeks past importers' inquiries were frequent and often insistent.

## Trading Position:

Undeclared imports into Hongkong last week totalled an estimated 25,000 taels, coming from Macao, and a few smaller lots from Java. Total undeclared re-exports last week were approx. 20,000 taels, distributed as follows:—to China 9,500 taels, viz. to

## BANK NOTE RATES (PER 100)

September		Piastre	Nica. Guilder	Baht	Peso	Canad. dollar	Malay. dollar	Pound note
20	.....	11.4	39.6	25¼	248	450	1.79	14
21	.....	11	38½	25¼	248	450	1.78¾	14
22	.....	10.97	38½	25¼	249	450	1.78¾	13.95
23	.....	10.95	38	25¼	250	450	1.78¾	14.1
24	.....	11	37½	25¼	252	451	1.78¼	14.2
25	.....	11¼	36½	25¼	254	450	1.77½	14.15

## Curb Markets of Shanghai and Canton

September	Shanghai		Canton	
	Gold per oz. in Yuan	US\$ in Yuan	Gold per tael in HK\$	HK\$ in Yuan
20	275	275	5	0.885
21	272	270	5.13	0.85
22	272	270	5.10	0.83
23	270	260	5.08	0.82
24	275	265	5.18	0.835
25	275	270	5.17	0.835

Canton 7,000, and to Amoy 2,500; to Indochina 2,000 taels, to Singapore 3,000 taels, to Rangoon 4,500 taels, to Calcutta (indirect) about 1,500 taels.

Direct exports from Macao to China have been in excess of local re-exports. Stocks in the Portuguese Colony continue on a high level which, however, is not regarded as in any way indicating a surfeit in the market; as the offtake in other Far Eastern countries improves and orders from India and Burma come in, the holders in Macao, as well as in Hongkong, appear to be quite satisfied with their precious cargo.

Shipments to India have to take devious routes but there are many ways and means to get gold bullion into the Dominion. Rangoon is largely a place of transit, little is absorbed by the Burmese market. Singapore on the other hand is taking gold in for hoarding in the Colony or in the

Federation of Malaya but some bullion is re-shipped with probable destination: India.

The Hongkong market always absorbs small quantities of regular though undeclared imports; the local ornamental consumption, working also for export, steadily takes off the market small to medium lots. Another not unimportant local buyer is both the forward operator and the genuine investor.

The amount absorbed by interest hedging gold speculators is often appreciable although it returns, in due course, to the market. But for a period it is frozen up. Investing by many Chinese and Portuguese in gold (coins, bars, ornaments usually of great purity of gold contents) always accounts for some consumption which, in the aggregate and over a period of several months, is considerable.

## CHINESE CURRENCY MARKETS

**Hongkong:**—Total sales in the native exchange market for TT and DD last week: Yuan 4,035,000, viz: on Shanghai Yuan 1,045,000; on Canton 1,510,000; on Swatow 640,000; on Amoy 840,000. Remittances to other places were considered too much of a hazard; there was no sales report for TT Hankow, usually a large market.

Spot yuan notes sold during the week under review: Yuan 250,000. There was great scarcity in note supply.

The heavier Shanghai remittances were attributable to the resumption both of the draft (air mail) service and the operation of unlicensed radio stations in Shanghai; prior to August 19, many small and large private radio services were operated at Shanghai, two large stations having been under the "benevolent supervision" of the authorities in Shanghai who thus not only could curb excessive domestic and foreign transfers but also obtained a clear insight into the business of brokers, bankers and merchants; this insight has now proved of inestimable value to the Shanghai army garrison for ferreting out what is so picturesquely called in Shanghai jargon the "tigers," i.e. the important operators and wealthy persons.

Throughout the week yuan rates were well maintained but the continued military reverses of the Nationalist Govt. at Nanking tended to weaken confidence in its legal tender. As long, however, as the technical position is strong and sound the unofficial rate of the yuan should remain on current levels.

Highest & lowest rates last week:—  
(in HK\$ per yuan):—

	High	Low	Discount against parity
spot notes	1.30½	1.23¾	2.1 - 7.16%
TT Shanghai	1.20½	1.14	9.79-14.48%
TT Canton	1.27½	1.25¼	4.54- 6.04%

**New York:**—The nominal rate remained at 26 US cents, the parity at 25 cents per Chinese yuan but business was done at rates between 19¼ to 20 cents, thus discounting the yuan, against the parity, by 20 to 23%.

**Shanghai:**—Highest & lowest rates for the week under review:—

	High	Low	Premium over yuan	par	parity
Gold per oz	275	260	30	-	37½ %
US note ..	5.19	5.00	25	-	29¾ %
HK note ..	0.885	0.82	9.4	-	18 %

Gold cross rate US\$ 52/53 against official buying price of Central Bank of US\$ 50 (calculated at the conversion rate of yuan 4 per US\$ 1). Hongkong dollar crossrate US\$ 16.39 to 17.06, or 10 to 15% lower than the HK\$ price (unofficial) in the Colony. The sterling cross on the black market of Shanghai was US\$ 2.62-2.73 (against an official Central Bank of China cross rate of 3).

**Canton:**—Gold per tael, high & low, HK\$ 311-299, on the average

\$ 3 above the quotation in Hongkong. Hongkong notes, highest & lowest, Yuan 0.79½-0.78 per HK\$ 1, or 4 to 6% above the parity (0.75).

## Trading in Chinese currency in Hongkong's Official Exchange Market

The Government of Hongkong ordered last week the resumption of official trading in Chinese money which was suspended since the end of the war. All exchange business in Chinese money has been conducted either by native banks, exchange shops, merchants or, indirectly, by compradore departments of commercial and licensed exchange banks. Rates were quoted from day to day and as inflation in China proceeded the rate for the old legal tender of China depreciated. The Chinese Government banks in the Colony also quoted unofficial rates for the Chinese currency which were always in accordance with the quotations of the native banks and the Gold & Silver

Exchange Society. The Farmers Bank of China issued daily the unofficial rates for the legal tender of China which were taken as the basis for official monetary transactions between Hongkong and China.

The situation has now been normalised; the members of the Hongkong Exchange Banks Association and other commercial banks licensed by Government to conduct foreign exchange business are now authorised to deal in "gold" yuan at the official rates stipulated by the Central Bank of China.

The native banks and others until now directly engaged in Chinese exchange are required to transact their business through Hongkong licensed exchange banks; however, the flow of financial transactions between the Colony and China has, so far, not actually changed. Business in the native market last week was larger than during previous weeks; the Hongkong Exchange Banks Association has not quoted officially merchant rates, and many European commercial banks have not received a single inquiry from their clients about remittances to

## HONGKONG OFFICIAL EXCHANGE RATES

## AGREED MERCHANT RATES

MAXIMUM SELLING		MINIMUM BUYING	
STERLING. 1/2 15/16	delivery within 2 months with a cut of 1/32 for every further 3 months forward.	1/3 1/32 T.T. 1/3 1/16 O/D. 1/3 3/32 30d/s. 1/3 1/8 60.90d/s. 1/3 5/32 120d/s.	
—Do— (East & South Africa)		1/3 1/8 O/D if under L/Credit. 1/3 3/16 O/D with L/Credit 1/32nd up every 30d/s. 1/3 5/16 O/D if under L/Credit. 1/3 3/8 O/D with L/Credit. 1/32nd up every 30d/s.	
—Do— (West Africa & West Indies)		83 ¾ T.T. 84 O/D. 84 ¼ 7 & 30d/s. 84 ¼ 60d/s. 84 ¾ 80d/s.	
RUPEES (India)	82 %	All buying rates 3/16th higher than India. 84 ¾ O/D if under L/Credit. 84 ¾ O/D without L/Credit. 84 ¾ 30 & 60 d/s. 53 ½ T.T. & O/D.	
—Do— (Rangoon)	82 %	25 ¼ T.T. 25 5/16 O/D—30d/s. 25 3/8 60-90d/s.	
—Do— (Aden)	82 %		
STRAITS \$	52 ¾		
U.S.\$ 24 15/16	delivery within 2 months with a cut of 1/16 for every further 3 months forward.		
CANADIAN \$			
U.S.\$ NOTES		25 %	(Banks to pay Insurance and Postage).
AUSTRALIA.	1/6 ¾	1/6 % T.T. 1/6 15/16 O/D. 1/6 13/16 T.T. 1/6 7/8 O/D.	
NEW ZEALAND.	1/6 7/16		

No rate for the Chinese currency is quoted by the Hongkong Exchange Banks Association.

China. Very little business has been officially reported to Hongkong Exchange Control, the authority which is to be informed every day about the number and amounts of yuan transfers.

Local Chinese Government banks quote the official rate for drafts on Chinese places at HK\$ 133.33 per 100 yuan (or HK\$ 0.75 per Yuan 1), but they charge \$ 1 for postage, and if air-mail an additional fee has to be paid; TT charges have to be borne by the clients. Mail transfers to places other than Shanghai and Canton pay an additional fee of HK\$ 2 and more per each Yuan 100.

Several European banks quote a counter selling rate of Yuan 0.74 per HK\$ 1 (or HK\$ 135.135 per 100 yuan), charging only cabling expenses in case of TT being requested.

Yuan notes are not officially bought; the banks always direct customers to money changers (i.e. the unofficial market).

The Hongkong Government has taken a step of more significance, when ordering official dealings in Chinese yuan at the Central Bank of China rate, than is realised at the moment; for the first time are commercial banks officially authorised by a member of the sterling area and a British Colony to deal in a foreign currency at a lower crossrate than fixed in London and New York. Transactions between HK\$ and yuan are now officially sanctioned at the arbitrary cross rate as established by the Chinese Government, viz. US\$ 3 to the £.

It is this writer's conviction that His Majesty's Treasury cannot approve of the local Government's decision to recognise, in effect, a lower than the official US cross rate in London. The position must be reconsidered.

\* \* \* \*

Chinese official conversion rates for bullion and foreign exchange:—

Gold CN\$  
Yuan millions US\$

Gold, 1 oz .....	200	600	50
(weight of one gold yuan has been fixed at 0.22217 gram)			
Silver, 1 oz ...	3	9	0.75
Silver \$ coin ...	2	6	0.50

Gold CN\$ crossrate  
Yuan millions US\$

US\$ 1 .....	4	12	
£ .....	12	36	3
HK\$ 1 .....	0.75	2¼	0.18¾
			(HK\$533)
Rupee 1 ....	0.90	2.7	0.22½
Swiss fr. 1 ..	1	3	0.25

Chinese official parities for Hongkong dollar:—

Gold Yuan	CN\$ millions	Hongkong dollar
0.75	2¼	1
1.0	3	1.333
0.333	1	0.44433

## DEALINGS IN CHINESE CURRENCY

The Acting Financial Secretary of Hong Kong Government has issued, on Sept. 20, the following Exchange Control Circular (No. 62) to the members Hong Kong Exchange Banks Association and to the licensed banks in the Colony:—

Banks are advised that the following regulations relating to transactions in Chinese Gold Yuan are being introduced as a measure of co-operation with the Chinese Government:—

(1) All transactions by Banks in Hong Kong involving Chinese Gold Yuan Currency must be for the account of an Appointed Bank in China at the buying and selling rates of such Appointed Bank. Transactions which directly or indirectly involve Chinese Gold Yuan may not be made with Macao or any place outside China without special permission.

(2) Banks may only buy Chinese Gold Yuan drafts, T.T. or other bills of exchange against applications for exchange approved by the Central Bank of China or against advices from their branches or correspondents in China to the effect that they are in possession of valid import licences issued by the Chinese Authorities. Exchange in respect of approved applications of the Central Bank of China or other import licences should be settled at the market rate of the Appointed Banks.

(3) Sales of Chinese Gold Yuan drafts, T.T. or other Bills of Exchange may only be made for the Account of an appointed Bank in China as stated in paragraph 1 above, and credits may be made to the accounts of these banks without production of Form E.I. Such sales of Chinese Gold Yuan should be reported daily to Exchange Control on Form "X" by Authorised Banks.

(4) A list of Appointed Banks in China is attached to this circular and cover in respect of all transactions involving Chinese Gold Yuan may only be obtained through one of these banks. A notice is being issued to the public to the effect that only banks authorised by this Government to deal in foreign exchange are allowed to deal direct with China and that other banks must conduct all such transactions through one of these banks.

### List of Appointed Banks by the Central Bank of China

The Bank of Canton.  
The Bank of China.  
The Bank of Communications.  
The Bank of East Asia.  
Banque Belge Pour L'Etranger.  
Banque de l'Indo-Chine.  
Banque Franco-Chinoise.  
Central Trust of China.  
Chartered Bank of India, Australia & China.  
The Chase Bank.  
The Chekiang Industrial Bank.  
The China Banking Corporation.  
The China & South Sea Bank.  
The Farmers Bank of China.

The Hong Kong and Shanghai Banking Corporation.

The Kinchong Banking Corporation.  
The Manufacturers Bank of China.  
The Mercantile Bank of India.  
The Moscow Narodny Bank.  
The National City Bank of New York.  
The Netherlands Trading Society.  
Nederlandsch Indische Handelsbank.  
The Oversea Chinese Banking Corporation.

Postal Remittances & Savings Bank.  
E.D. Sassoon Banking Corporation.  
The Shanghai Bank.  
The Underwriters Bank.  
Young Brothers Banking Corp.  
The National Commercial Bank.

## STATEMENT BY HONGKONG GOVERNMENT REGARDING DEALINGS IN CHINESE CURRENCY

Members of the Public are notified that Banks are not allowed to deal directly with China for the purpose of buying and selling Gold Yuan drafts, T.T. or other Bills of exchange unless authorised by Government to deal in foreign exchange, i.e. unless they are members of the Exchange Banks Association.

Other banks must conduct all such transactions through an Authorised Bank.

Authorised Banks will deal directly with Appointed Banks in China and transactions will be carried out only at the official rates of exchange of those Appointed Banks. A circular to this effect has been distributed to all the 141 licensed banks.

In addition, the Order made under the Defence (Finance) Regulations which limited to C.N.\$5,000,000 the amount of Chinese currency which could be brought into or taken out of the Colony is being amended and, following the Chinese regulations, persons will only be permitted to bring into the Colony or take from the Colony an amount of Chinese currency not exceeding Gold Yuan 20.

These measures have been introduced in Hong Kong to lend neighbourly support to the new currency in China, the success of which is important to the whole of the Far East.

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## JAPANESE COMMENT ON THE "GOLD" YUAN

It has now become customary to welcome the Chinese currency reform but at the same time to express one's well-founded scepticism about the eventual success of this Chinese financial experiment. The representative "Oriental Economist" of Tokyo, in its Sept. 4 issue, comments as follows on the "gold" yuan of China:—

Chiang Kai-shek's Government announced China's currency reform on August 20. The Japanese people earnestly hope that the current currency reform in China will prove a

success, as the consequent economic stabilization of that country will ultimately contribute toward Japan's foreign trade relations with China. Two major prerequisites are considered indispensable for the success of the present reform. The first is acquisition of U.S. aid, and the second is immediate halt of China's civil war.

According to the estimate of the U.S. Department of State, the Chinese Government possesses about \$85,000,000 worth of gold and \$20,000,000 worth of silver, or a combined total of \$105,000,000 in gold and silver. Thus, the Government will have to depend upon foreign currencies for the remaining \$95,000,000, for which it will be required to sell State properties, such as spinning mills formerly owned by the Japanese, or to get aid from the U.S. Government or the International Monetary Fund. At the same time, the new gold yuan should not be issued in excess of the stipulated limit of 2,000,000,000 yuan in order to maintain its credit. The total amount of the legal tender in circulation, estimated at 255,000,000 million yuan as at the end of June, is certain to have reached the 500,000,000 million yuan mark by August 20. With the present currency exchangeable at the rate of 3,000,000 to one gold yuan, the circulation as on August 20 equals to 166,000,000 gold yuan. The volume of currency circulation may thus be reduced temporarily, but further progress of inflation is likely to force the Government to issue the currency in excess of the 2,000,000,000 million yuan limit. The 1948 first-half budget of the National Government of China totals 1,080,000,000 million yuan in expenditure and 555,000,000 million yuan in revenue, with a consequent deficit of 525,000,000 million yuan. It is well known that such financial deficits were the major cause of spiraling inflation in China in the past. Thus, a well-balanced budget is considered indispensable for curbing the inflationary march in China. And a well-balanced budget in China would be impossible without the complete halt of its civil war. Here lies the greatest difficulty confronting the new currency system in China.

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#### MERCANTILE BANK OF INDIA

The Mercantile Bank of India will open for business a second branch office in the Dominion of Pakistan, viz. in the city of Chittagong. Business is to start there as from October 1.

The establishment of the new branch brings the total of branches of the Mercantile Bank in the Dominions of India and Pakistan to 8—6 in India and 2 in Pakistan. The total number of branches of the Bank amounts now to 25.

#### NEW KOWLOON BRANCH OFFICE OF HONGKONG & SHANGHAI BANKING CORP.

The Hongkong & Shanghai Banking Corp. will open for business a new branch office in Kowloon, situated in Mongkok, on Nathan Road, as from October 1. The commercial community of Kowloon from Yaumati to Shumshuipo have been waiting for the opening of this new office which should greatly facilitate their business as up to now most clients were required to go to the Tsimshatsui branch (located in Peninsula Hotel) or to cross the harbour and transact business at the head office.

The commercial and industrial life in Kowloon has been flourishing since the early part of 1946 and the establishment of the Hongkong & Shanghai Bank's branch in Mongkok, being in the centre of Kowloon, has been found necessary in view of the steady expansion of business on the mainland. In future as Hongkong's industries will grow and develop and most factories, the majority already being established in Kowloon, are expected to operate on the mainland, the need for up-to-date banking services in that thriving part of the Colony is bound to become ever more urgent.

The new Mongkok branch will transact banking business of every description and a branch of the Hong Kong Savings Bank will also be in operation. The many small investors will find the services of the Hongkong Savings Bank of particular advantage and savings among the working classes should thus receive encouragement.

The new branch office is an attractive structure of modern design and very spacious, located in one of the busiest sectors of Kowloon.

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#### NATIONALISATION OF CHINESE GOVERNMENT BANKS

There is increasing agitation in China about the delay about the oft-announced nationalisation of the Farmers' Bank of China. In our issue of Sept. 1, p. 188, some reference to the situation was published while more information, although available, had to be withheld.

In a recent Reuters dispatch from Shanghai some additional indication is provided for the urgency of the question of nationalisation of the three Government banks; the Reuters report is as follows:—

The Chinese Government is since a long time considering a plan to nationalise three of the four so-called "Government banks"—the Bank of China, the Bank of Communications and the Farmers' Bank of China. The fourth of the group, the Central Bank, is the only one that is wholly Government owned. Each of the first three mentioned financial institutions has a capital of 30,000,000 Chinese dollars based on the prewar valuation of the

Chinese currency. Many of their shareholders are private citizens.

Although almost invariably but erroneously referred to as "Government banks," these three institutions are controlled by a small group of individuals who have served at one time or another in the role of bankers or as Government officials.

According to the Chinese Army official organ, *Peace Daily*, 22 of the 24 directors of both the Bank of China and the Bank of Communications are well known capitalists who have been in the business for several decades or who, at one time or another, have served as a Government official. The paper charges that being classified as "government banks," these monetary houses have been reaping profits by enjoying the privileges reserved for that group. Moreover, it asserts, many of the directors have interlocking interests in commercial banks, industrial enterprises and factories. With low government loans accessible to them, "they have been able to manipulate financial developments of this country to their own selfish advantage, which means they have been able to control commodity prices and speculate."

The *Peace Daily* claims the same handful of people who manage the three banks in question control, directly or indirectly, some 5,000 commercial banks in China and demands an immediate investigation into present banking practices in China.

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#### THE MACAO PATAKA

The discount on Hongkong dollar in the Portuguese Colony has remained stable around 20 to 22%; last week about 0.78½ pataca bought HK\$ 1. The U.K. resident account sterling in Lisbon against escudos is at a discount of 22 to 23%, and the recent Lisbon cross rate for sterling was around US\$ 3.05. In view of the continued maintenance of inconvertibility of sterling which has now been reaffirmed by Sir S. Cripps the discount on not freely transferable sterling must be expected to remain for a long time until the British foreign payment position will improve when the various hard currencies of the moment will soften up and the discount subsequently decline.

However, for the time being the exchange position in Macao cannot undergo a change and the HK\$ in Macao will continue on the unofficial and semi-official markets to be discounted in accordance with the Lisbon/London unofficial quotation.

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#### TRANSFERS BETWEEN U.S. AND SOUTH KOREA

It is since several weeks permissible to send U.S. dollar remittances to South Korea, through the correspondent banks in the United States of the Korea Foreign Exchange Bank, Ltd., Seoul, namely: the Chase National and National City Banks of New York,

Bank of America of San Francisco, and Bank of Hawaii, Honolulu, in favour of individuals, firms, schools, and charitable institutions in South Korea. The new authorization, however, does not apply to American occupation personnel.

The Korean Foreign Exchange Bank, Ltd., Seoul, has also been authorized to issue "certificates of deposits" to beneficiaries of remittances in foreign currencies received from abroad, including payment orders in favour of individuals, firms, schools, and charitable institutions in South Korea. Beneficiaries of payment orders, received through the Korean Foreign Exchange Bank, may thus now exchange the payment order for a certificate payable in the same currency, for an equal amount. The certificates will indicate the name and address of the payee, the amount of deposit

in foreign currency, and the expiration date.

The owner of the certificate may then sell it to an approved importer, with approval of the Korean Foreign Exchange Bank, or he may use it himself for the import of approved commodities. In the event of sale to another party the amount of won (Korean yen) received in exchange will be a matter of private arrangement between the two parties.

The certificate will be valid as a basis for the allocation of foreign exchange only if accompanied by the appropriate license and other documents required under foreign-commerce regulations. The certificate must be used within 180 days from the original date of issue, and after expiration cannot be used to obtain allocation of foreign exchange or be transferred to another party.

#### HONGKONG EXPORT CONTROL

The text of the Hong Kong Exchange Control Circular No. 55 (signed by the Acting Financial Secretary) is as follows:—

With reference to the new Exchange Control arrangements with regard to Exports from Hong Kong which come into force on 3rd August 1948, a summary of the alterations made in existing procedure is outlined below for the guidance of Authorised Banks.

(1.) Proceeds of exports, not financed in U.S. dollars, to countries outside the sterling area, except China, Macau, Korea, U.S.A. and possessions, and the Philippine Islands, must be surrendered to an Authorised Bank in accordance with the Bank of England procedure. This is always acceptable in Sterling from an account in the

## HONGKONG EXPORT REGULATIONS

— as at September 29, 1948 —

COUNTRY OF DESTINATION	COUNTRY OF ORIGIN	EXPORT LICENCE ON FORM	PERCENTAGE OF PROCEEDS TO BE SURRENDERED TO AUTHORISED BANK
U.S.A. & Possessions, Philippine Republic.	China, Macao, Hong Kong, Korea.	Form 2B (Yellow) in duplicate except for RESTRICTED exports when Form 2A (Green) in triplicate (Note 1).	NIL—except for exports on RESTRICTED list—(See Note 1).
French Indo-China	Any Country.	Form 2A (Green) in triplicate.	FULL PROCEEDS either (a) from a French Sterling account or (b) in HK\$ from an account in Hong Kong of a Bank in Indo-China.
Siam	Any Country.	Form 2A (Green) in triplicate.	FULL PROCEEDS either (a) from a Siamese Sterling Account or (b) in HK\$ from an account in Hong Kong of a Bank in Siam.
Korea, Macao	Any Country.	Form 2B (Yellow) in duplicate except for RESTRICTED exports when form 2A (Green) in triplicate (Note 1).	NIL—except RESTRICTED exports (Note 1) which must be submitted on form 2A (Green), to Exchange Controller, for prior approval.
China, Formosa, & Sterling Area countries.	Any Country.	NIL—except China exports (Note 2) when Form 2B (Yellow) in duplicate.	
All other countries.	Any Country.	Form 2A (Green) in triplicate.	FULL PROCEEDS in accordance with Bank of England procedure. This is always acceptable in sterling from an account in the U.K. in the name of a resident in a territory to which the goods are being exported. For other acceptable methods of payment enquire Exchange Controller (Phone 24840). Rules for restricted exports apply in cases where finance is arranged in U.S.
Japan		Special arrangement with Dept. Supplies, Trade & Industry.	

#### NOTE 1—RESTRICTED EXPORTS:—

Tin, Silver, Copper, Lead, and Wood oil, ginger in casks or jars.

Exporters are permitted to use 75% of their f.o.b. value of tin, lead and silver; 80% of copper; 85% of wood oil; and 50% of ginger when the shipment is financed in United States currency.

#### NOTE 2—CHINA EXPORTS:—

Bristles, wood oil, cotton yarn, tea, rapeseed oil, tin, wolfram & antimony. China exports include these commodities whether originating in China or not. Applications must be supported by evidence of origin, i.e. a Chinese Certificate of Origin where articles are produced in China, otherwise such evidence of origin as Imports & Exports Dept. shall require.

United Kingdom in the name of a resident in the territory to which the goods are being exported, or in Hong Kong dollars from the account in Hong Kong of a Bank in that territory. Reference to Exchange Control office should be made if alternative methods of payment are offered.

Banks are reminded that credits to accounts maintained in their books in Hong Kong dollars of their branches or correspondents outside the Sterling Area may only be made providing prior approval is obtained on Form E.1. In view of the new arrangements their attention is drawn to this rule with particular reference to accounts in the names of their branches or correspondents in Siam, French Indochina and the Netherlands East Indies.

(2.) Exporters may retain proceeds of goods of China, Hong Kong, Macau or Korea origin financed in U.S. dollars with the exception of wood oil, tin, silver and preserved ginger. The proceeds in U.S. dollars of goods originating in any other country must be surrendered in full.

(3.) Where goods are exported and proceeds are required to be surrendered, Banks are requested to advise their constituents that when documents, whether accompanied by a bill of exchange or not, are negotiated without a covering Letter of Credit, the constituent will be required to surrender to the Control the equivalent value of the goods either in the appropriate manner or in United States dollars should payment for the shipment be refused. Banks should not therefore accept refunds either wholly or in part from exporters without reference to Exchange Control.

In the case of documentary bills or documents sent for collection, Banks should not accept instructions from their constituents to deliver goods to drawees or consignees or any other party free of charge or for a reduced amount without permission from Exchange Control office

#### Amendments to Export Control Regulations

Under the Export Control Order 1947, the export of all goods is prohibited to any country outside the Sterling Area, excluding China, unless a licence is obtained from the Imports & Exports Department. In respect of exports to other countries, licences will only be issued to exporters who complete a declaration to the effect that they will arrange to obtain payment for the goods through a member of the Exchange Banks Association. The declaration form (Green Form 2A Export) may be obtained from the Imports & Exports Department.

Definitions of "Permitted Sterling Account" and "Appropriate Currency":—

"Permitted Sterling Account" means account of country of destination of goods or such other account as is approved by Exchange Control. Banks may assume that Letters of Credit registered with the Bank of England are in order.

## JAPAN'S FOREIGN EXCHANGE PROBLEM

Possibilities are increasing that the single rate for Yen-Dollar exchange will be fixed before long between Y.270 and Y.350 per dollar, because the present military rate is Y.270. It would be interesting to see at what rate major commodities made in occupied Japan could be exported on a paying basis.

#### COTTON YARN AND FABRICS:—

The present export price of cotton yarn (20/s) is \$0.87 per lb. The cost of raw cotton which goes into the making of this quantity would be Y.136.99 (at the exchange rate of Y.350 to a Dollar) or Y.78.28 (at Y.200 to a Dollar), based on the United States raw cotton quotation of 39.14 cents of May 15 this year. If to this is added the cost of processing and various export charges amounting in all to Y.20 per lb. the export price, including the cost of the raw cotton, would come up to Y.156.99 or Y.98.28 per lb. respectively. If these export prices in Yen are compared to the Dollar export price given above, \$1 would become Y.234.61 or Y.143.68 as the case may be.

In the same way, the cost of raw cotton required to make one yard of cotton cloth (9.776 cents) would be Y.34.22, at the rate of Y.350 to a Dollar, while the cost of processing and other charges together come up to Y.18.88. If these Yen costs are compared to the Dollar costs, the exchange rate would turn out to be Y.235 to a Dollar.

Thus, if the exchange rates were between Y.134 and Y.230 to a Dollar, cotton yarn and cotton cloth could be exported at a profit; compared with the other export articles, they would pay even at considerably low exchange rates.

Although processing costs are relatively low at present, we must expect them to rise in the future. Even if such increases are taken into account, the export of these articles would still pay if the exchange rate is above Y.300, or even Y.270.

"Appropriate currency" means currency of country of destination of goods if quoted by the Bank of England or such other currency as is approved by Exchange Control.

Certain exports to Macau may only be made provided payment is received in United States Currency. Intending exporters should be referred to the Department of Imports & Exports.

Exporters of goods originating in China, Hong Kong, Macau, and Korea (except wood oil, tin, silver, ginger) are permitted to utilise the full foreign exchange proceeds of the shipment when financed in U.S. dollars. Full surrender of export proceeds is required in respect of shipments financed in Sterling or in any other currency except U.S. dollars.

#### RAW SILK:—

The domestic official price of raw silk is Y.120,120 per bale for the standard 2 D. This is sold or bought in the United States at \$2.45 per lb. at the lowest. Since a bale weighs 132 lbs. the Dollar price would be \$323.40. Accordingly, the American prices, computed in Yen, would be as follows:

At the exchange rate of

Y.270 to a Dollar	.....	Y. 87,002
Y.350 to a Dollar	.....	Y.113,190
Y.370 to a Dollar	.....	Y.119,658
Y.380 to a Dollar	.....	Y.123,892

As long as the domestic price of Y.120,120 is deemed reasonable, the exchange rate should be around Y.370—380 in order to make business pay.

Since the price of raw silk becomes the basis in calculating the cost of silk fabrics, the exchange rate for fabrics should be put at Y.350-360 to a Dollar, if their exports are to be on the paying basis.

#### RAYON YARN:—

In the Indian market, the import prices of rayon yarn per lb. recently stood as follows:—American yarn \$1, Italian \$0.90 and Japanese \$0.80. In Japan rayon yarn is priced at Y.142 per lb. while in the United States it was 74 cents in June this year. If the exchange rate is put at Y.270 to a Dollar, price for rayon yarn would work out to be 52.62 cents per lb. The f.o.b. Yokohama price at present is 80 cents per lb. which means that Japanese rayon yarn can compete in the world market, even at the minimum rate of Y.200 to a Dollar.

#### TEA:—

The ratio between the lowest Dollar price of export tea to f.o.b. Yen price works out at Y.290. This, however, is the minimum rate possible, and the Japanese producers are barely covering their costs. Actually, the producers are contracting at a price about 5 cents higher per lb. which means that they are tiding over by receiving compensation money.

#### MARINE PRODUCTS:—

In general, the export prices of marine products range between Y.140 and Y.270-280 to a Dollar. By articles, that of agar-agar is Y.140-150, albacore, sword fish, frogs, etc. Y.220-230, shell-ligaments, abalone, and trepang around Y.260-270, and pearls about Y.200.

Since, export marine products are connected with the domestic food situation, their export prices tend to be forced down when compared to other commodities.

#### CERAMICS:—

Dinner-sets and sanitary supplies are between Y.400 and Y.500 to a Dol-

lar, while insulators, tiles, and plugs work out at Y.350-400. If the exchange rate is fixed at Y.350, it would deal a heavy blow to the industry. Of course, in the case of the larger enterprises, there may be some way of lowering the costs through large-scale production and higher output efficiency.

#### LACQUERWARE:—

In spite of the fact that lacquerware has been shipped out at the favourable exchange rate of Y.400 to a Dollar, the high cost of materials and wages has made the maintenance of this rate very difficult. One of the chief reasons is the rise in the cost of lacquer, which at present is around Y.30,000 per kan, being seven or eight times that of last year. It is believed that the rate must be raised 1.5 to 1.7 times the present, or around Y.600 to a Dollar.

#### MEDICINES:—

Household medicines could be exported at the exchange rate of about Y.300 a Dollar, but pharmacopoeia Japonica and new patent medicines would be relatively higher. Sulphur drugs, among others, exceed Y.400, alcohol more than Y.3,000, and penicillin Y.3,600.

#### INDUSTRIAL CHEMICALS:—

The cost of zinc oxide is Y.74,000 per ton; if the f.o.b. price is put at about Y.100,000, the export exchange rate will become Y.400 approximately. The official price of copper sulphate is to be hiked to Y.30,000 per ton—enquiries have been received from South America for this product—and if the sale price is fixed at \$120, the exchange rate becomes about Y.250. For the industrial chemicals in general, the rate will be around Y.400.

In the case of zinc oxide, however, the black market price at present is below the official figure, being about Y.50,000 per ton. Thus, if the black market price is made the basis for calculation, the export price figure will naturally become different from that given above.

#### RUBBER GOODS:—

Export exchange rates for the various rubber goods are: bicycle tires and tubes Y.210 to a Dollar, belts and other articles for industrial production Y.240-250, canvas and rubber shoes or boots Y.270-Y.300, beach balls and toys Y.350-Y.400.

But recently, the price of officially distributed crude rubber has risen from Y.15,000 to Y.60,000 a ton. Since the latest crude rubber quotation is 20 cents per lb. or \$448 a ton, the import exchange rate, based on the distribution price of Y.60,000, works out at Y.130 to a Dollar.

For the manufacturers using the Y.60,000-a-ton crude rubber, the prices of bicycle tires and tubes must be increased twofold, and those of canvas shoes and other footwear (made of

rubber) 2.5 times. Accordingly, the new exchange rates for bicycle tires and tubes will work out at Y.420 to a Dollar and those for footwear Y.870.

#### GLASS PRODUCTS:—

If a single exchange rate of Y.350 is decided upon, the export of glass products would probably become exceedingly difficult. Three reasons may be given for this: 1) difficulty in obtaining high-grade coal (6,000 calories) which is essential; 2) difficulty of obtaining other raw materials, especially, scrap glass, and the rising cost of such materials; and 3) need of skilled labour, which in turn boosts personnel cost. For these reasons, the present export exchange rates range between Y.550 and Y.600, in order to cover the high production cost.

At the present time, the exchange rates of glass articles are: Y.600 for medical equipment, lighting and illuminating apparatus and other miscellaneous articles; Y.550 for crystal-glass, and thermos flasks. Manufacturers, however, state that they will be in the "red" unless these rates are boosted to Y.1,000.

#### BICYCLES:—

Compelled to compete with the British bicycles which are now being sold in Far Eastern countries at \$18 to \$19 each, Japanese bicycles, too, have been forced to lower their prices to \$17.50 of late. In the domestic market, the price is Y.6,300. A bicycle for export must be sold at from Y.9,000 to Y.12,000, in view of the costs of materials, decorations, etc., if any profit is to be made at all. If the price is brought down to Y.10,000, the exchange rate for \$17.50, referred to above would amount to Y.570.

#### CAMERAS:—

Although the prevailing exchange rate is Y.230 to a Dollar on the average, the latest economic conditions would raise it to Y.420-430 in order to place the export business on a paying basis. If, therefore, a single exchange rate of Y.350 is declared, manufacturers would suffer because of the difference of Y.70-Y.80 thus caused. In the domestic market, cameras, are not in much demand, and if the exchange rate is not well adjusted, the industry would receive a serious blow.

#### STEEL SHIPS AND VEHICLES:—

Among the machines which will be exported, steel ships and rolling stock would probably come to occupy important positions in the near future. Their export exchange rates would probably be between Y.350 and Y.400 to a Dollar.

At present, the exchange rate for rolling stock is Y.200-250 to a Dollar, which barely enables manufacturers to escape from going into the "red." But since production is possible at the exchange rate of Y.200-250, the industry's future prospects are not necessarily gloomy.

#### STERLING AREA TRADE OF JAPAN

SCAP on August 16 announced that a trade agreement providing for the balanced exchange of a minimum of US\$242,000,000 worth of goods between Japan and the Sterling Area during the period from July 1, 1948 to June 30, 1949 has been drafted by SCAP and the Sterling Area Trade representatives at the conclusion of month-long conferences in Tokyo. Under the terms of the present trade plan, Japan expects to sell goods to the Sterling Area valued at a minimum of \$121,000,000. In turn, Japan will purchase goods of the minimum value of approximately \$121,000,000 from the Sterling Area.

It is believed that the smooth execution of the present plan will more than triple Japan's trade transactions with the Sterling Area during the period from July this year to June, 1949, as compared to those during the corresponding period a year before. The excessive dependence of Japan's foreign trade on the United States will also be remedied. Major goods involved in the current agreement include:

Major exports from Japan:—Cotton goods; raw silk; silk, rayon and woolen goods; industrial machinery and parts thereof; rolling stock; paper and paper products; various chemicals.

Major imports to Japan:—Raw cotton; wool; jute; wool waste and rags; hides and skins; cereals; iron and other ores; gums and resins; crude rubber; coal; salt; oilseeds; coconut oil.

#### JAPAN'S PRIVATE FOREIGN TRADE

According to the Director-General of the Boekicho, Japan's private foreign trade during the one year ending August 14 totalled about \$100,000,000. During the past year, foodstuffs accounted for about 60 per cent of Japan's imports while textile products occupied the similar position in exports. Indications are that raw materials for processing industries will eclipse foodstuffs in future imports. During the period from August 15 when private trade was reopened to January this year, private trade accounted for only about 10 per cent of total trade transactions. This ratio increased to an average of 30 per cent in recent months. In June, nearly 55 per cent of Japan's trade was conducted through private channels while government-to-government trade was left behind.

Private exports during the period from September 1947 to June, this year aggregated \$85,102,321, as follows:

### Japan's Private Exports (in U.S. \$)

1947: September .....	1,349,314
October .....	1,853,129
November .....	1,472,879
December .....	3,156,745
1948: January .....	6,721,333
February .....	4,977,871
March .....	10,809,915
April .....	12,880,278
May .....	19,624,393
June .....	22,256,459
Total .....	85,102,321

The United States predominates among major destinations of Japanese private exports while the Philippines and Australia steadily came forward since the beginning of this year.

### Japan's Private Export by Countries

Countries	Percentages in Total Exports	
	Sept.-Dec., 1947	Jan.-May, 1948
U.S.A. ....	83.2	69.4
Philippines ....	1.6	7.3
Australia ....	—	6.0
Switzerland ....	2.2	3.7
Canada ....	10.8	3.1
England ....	—	2.7
Siam ....	—	2.6
Iran ....	2.5	—

### TELECOMMUNICATION SERVICES AND FACILITIES IN HONG KONG

The restoration of telecommunication services and facilities in Hong Kong has now reached the stage where it was possible to discontinue the temporary arrangement by which the Chinese Government Telegraph Administration has operated in the Colony since 1945. On the reoccupation of Hong Kong in 1945, owing to dislocation of telegraphic communication with South China, the Chinese Government Telegraph Administration set up a temporary office in Hong Kong with the permission of Government to handle the receipt and delivery of telegrams between Hong Kong, Canton and other places in South China. Until June 1947 these messages were transmitted by wireless and since that date they have been sent over a land line to Canton, of which the portion lying in British territory was sub-leased by Messrs. Cable & Wireless to the Chinese Government Telegraph Administration.

On and after October 1, all telegraphic messages to and from South China will be handled by Messrs. Cable & Wireless at their own office and, with the closure of the temporary Hong Kong office of the Chinese Government Telegraph Administration on the same date, the use of the Hong Kong/Canton land line will be discontinued.

### HONG KONG—PORTUGAL TRADE

While exports from here to Portugal are insignificant the Colony imports regularly small quantities of wine and liquor, cork, tinned fish and olive oil as well as some other canned meats from Portugal. The current year's import from Portugal have been reduced compared with 1947. For the first seven months of 1948 total imports valued only \$493,173 while the export value was \$11,980.

There is always here a good though limited market for Portuguese wines which are famous for their bouquet and lightness as well as for olives (in tins) and olive oil; Portuguese sardines and other fish conserves also find steady buyers. Although the population of Macao is only about one tenth of Hongkong the consumption of Portuguese wine and canned food articles is higher there than in the British Colony.

Of considerable industrial utility is Portuguese cork and this commodity accounts for about half of the imports from Portugal. Although the Portuguese escudo ranks as a hard currency from the point of view of the British Treasury the Hongkong Exchange Control freely licences imports of cork and other commodities and makes sterling transfers to Lisbon available.

An expansion of trade between Portugal and Hongkong is not anticipated. No Portuguese steamers have called here, or at Macao, for a long time; after two Portuguese ships arrived here and in Macao in 1946 and last year no further calls were arranged. Trade with Portuguese East Africa (Mocambique) has however been developed in line with the intensification of Hongkong's business with British East Africa and the Union of South Africa.

### Portuguese Cork

Portugal produces over one half of the world's supply of cork; but, not content with being the cork-producing country, it is also the country which produces the best cork and the country in which the technical cultivation of cork is perfect and in which the commercial organization of this product is most developed.

The cork-tree is a generous tree which at regular intervals divests itself of its luxurious robe of cork for the pleasure and comfort of mankind. The Portuguese cork-woods, famous throughout the world, cover an area of more than 1,500,000 acres, or nearly one tenth of the entire area of the country under cultivation.

Portuguese cork is not, as cork in other countries, the natural product of uncultivated forests, in which the work of man is limited to stripping off the cork. The cork-tree in Portugal is subjected to an intensive cultivation, by virtue of which it belongs rather to the domain of orchards, than to that of forests. There are no cork-oak-

forests in Portugal, there are cork-oak orchards. The trees are widely spaced, pruned and selected carefully during the regular thinnings.

The cork industry constitutes an important and rapidly developing branch of the national activity. Besides cork, plates and composite products, Portuguese industry manufactures articles of cork of many various uses.

These are the extraordinary qualities of the fabric formed of the bark of the cork tree: it is light, compressible, elastic, impermeable to fluids and gases, impenetrable by the principal solvents, a bad conductor of heat, sound and all vibrations, proof against decay, disintegration and largely against fire, and its surface offers a marvellous resistance to attrition.

Portuguese cork, produced in a country which provides ideal conditions for the growth of the cork-tree, depends on the purity and consistency of its fabric.

It is in Portuguese cork that the marvellous qualities of the fabric of the bark of the cork-tree find their highest expression. Its superior natural quality and the care taken in its commercial preparation have given it the leading position in all the markets.

Although the national cork industry is flourishing, the country produces sufficient cork to enable it to export it on a large scale and supply with sheets of cork the industrial requirements of countries which do not produce cork.

The yearly average exportation of cork, which in the decade 1885-1894 was only 27,500 tons, rose in the following decade (1895-1904) to 45,000 tons and then soared until in the year 1937 it reached the figure of 181,000 tons.

Portugal is the only cork-producing country in which the cork industry is systematically organized. An official body, the National Cork Board, founded for the purpose by the Portuguese Government, has for its principal object to foster the technical, economic and social improvement of the industry and to guide, control and inspect all activities related to cork.

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### HONGKONG EXPORTS OF ESSENTIAL OILS, SPICES AND DRUGS TO AMERICA

Declared exports at the U.S. Consulate, Hongkong, of essential oils from Hongkong to the United States during the first 6 months of 1948 included the following types:—cassia, 18,900 pounds value, US\$26,549; citronella, 34,661 pounds, value, US\$39,179; aniseed, 23,470 pounds, US\$14,861; camphor, 57,744 pounds, US\$16,066; and ho oil, 2,348 pounds, US\$2,666.

Declared exports of perfume materials from Hongkong to the United

States during the first half of 1948 included the following items: geraniol, 360 pounds valued at US\$594; musk, 74 pounds, \$10,483; and saffrole, 2,540 pounds, \$668.

Declared exports of drugs and medicinal from Hongkong to the United States as per US official records during first 6 months of 1948 included the following items: psyllium husks, 166,995 pounds valued at \$10,170; senna, 42,560 pounds valued \$7,814; ginseng, 16 pounds, \$2,503; rhubarb, 7,840 pounds, \$2,563; sandalwood, 105 pounds, \$219; galangal root, 85,275 pounds, \$2,258; and gum benzoin, 2,003 pounds, \$3,861; agar, 20,233 pounds \$29,616; and "Chinese Medicines" 194,558 pounds, \$249,701. (All values in US\$).

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#### MONTHLY QUOTAS OF FLOUR IN HONG KONG

For the information of all importers holding commercially imported Canadian and/or American hard wheat flour, Government will, commencing from 15th September 1948, release for them a monthly total of about 130 short tons against evidence of sales made to bakeries and biscuit manufacturers registered with the Department of Supplies, Trade & Industry who have been informed of their monthly quotas.

Government will further release about 120 short tons for distribution to small bakeries not registered with the Department of Supplies, Trade & Industry, to be obtained from those importers who carried stock in 1941 under the Emergency Food Scheme.

For the month of September the full quota in each case may be drawn.

No official exchange will be granted to importers and the price will be a matter of negotiation between sellers and buyers.

#### CHINESE EXPORTS TO AMERICA

Following are Chinese exports as declared at the various U.S. Consulates in China:—

##### Drugs and Medicinal Substances.

Declared exports to the United States through the port of Shanghai, during the first 5 months of 1948 included:—Rhubarb, 6,720 pounds valued at US\$1,937; "Chinese Medicines," 2,263 pounds valued at US\$569; menthol, 2,100 pounds valued at US\$16,900; Citronella oil, 36,274 pounds valued at \$31,951; Musk, 55 pounds valued at \$8,136.

##### Furs and Feathers

Exports of Chinese furs and fur manufactures from Tientsin to the USA:—

For the first half year of 1948; in number of pieces of furs and skins:—Hare 20,220; Kolinsky 149,350; Lamb 137,533; Kid 101,442; Goat 45,990; Weasel 104,345; Kidskin 26,191; Lambskin 23,633.

Feather exports from Tientsin to the USA:—

For the first 6 months of 1948 feathers (crude) shipped from Tientsin to the USA amounted to 1,053 lbs.

Feather exports from Shanghai to the USA:—

For the first 6 months of 1948 feathers (raw) shipped from Shanghai to the USA amounted to 2,230,550 lbs.

Exports of Chinese furs and skins from Shanghai to the USA:—

For the first 6 months of 1948; in numbers of furs and skins:—Lambskins 572,392; Kolinsky 3,445; Marmot 25,000; Rabbit and Hare skins 1,128,798; Sable 13; Weasel 1,238,798; Lamb and kid plates 18,014.

##### Miscellaneous Products

Wool floor-covering exports from Tientsin to the United States, decreased to a new low of 14,637 square feet valued at US\$5,428 in May, from 784,811 square feet (US\$280,628) in April.

Declared exports from Tientsin to the U.S. in the first 5 months of 1948 included 177,083 pounds of horse-hair (US\$181,697), 1,833,797 square feet of wool carpets (US\$685,959), 33,730,200 yards of strawbraids (US\$146,107), and 59 gross hairnets made of human hair (US\$174).

Cumulative declared exports from China to the U.S. in the period January 1, 1948, to May 31, 1948, amounted to 242 square feet of rugs; 3,496 pounds of human-hair stumps, 151,326 gross of hair nets made of human hair; 97 gross of nylon hair nets and 950,400 yards of straw braids.

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#### CHINA TEA EXPORTS IN 1947 AND 1948

China exported about 36,200,000 pounds of tea in 1947, of which 25,700,000 lbs were from the mainland and 10,500,000 lbs from Taiwan. Exports of tea from the mainland showed an increase of 10,500,000 pounds over 1946 exports but were still only 30 percent of the volume of shipments during 1936-37. Large shipments were made to Morocco the traditionally biggest buyer of green tea, the countries of South-East Asia, and to the United States; the last-named country receiving about 4,500,000 pounds, including shipments from Taiwan.

The export business continued to suffer from high costs of production,

an unrealistic exchange rate, and the over-loading of old and frequently undesirable teas on the market. Government assistance to the industry was limited to loans to tea merchants for processing, transporting, and packing tea, and to the subsidized purchase of stocks temporarily unsalable.

It is believed that the total tea production during 1947 was slightly higher than in 1946 but less than half of the annual prewar production, which averaged from 600,000,000 to 800,000,000 pounds.

In the first 5 months of 1948, exports totaled about 12,500,000 pounds and were shipped chiefly to Soviet Russia, the United States, Hong Kong, and Morocco.

Generally speaking, the prospect for the export business of the tea industry during the second half year of 1948 is more optimistic than at any time since the war. Old stocks are small and the new crop is expected to be of reasonably good quality. Modified exchange regulations which permit the exporter to increase the local currency value of his exchange proceeds were adopted in late May and have facilitated business to some extent. The new currency, "Gold" yuan, may further stimulate exports.

Conditions are however not favourable for increased development of the tea industry. Transportation costs are still high and often prohibitive and Government loans to tea merchants are less adequate than last year. The demand for China tea is either reduced or nonexistent in several old established markets which received undesirable teas in 1947. Most significantly, Japanese tea will probably compete with the Chinese product in Africa and South-Eastern Asia to an increasing extent.

The acquisition of Taiwan by China as a consequence of the outcome of the war in the Pacific has greatly increased China's earning potential of foreign exchange; Taiwan produce—of which tea is a major item—has been marketed abroad with good success.

The many unfortunate habits of small and medium Chinese merchants, who tend to spoil the reputation previously built up, have been noted with increasing indignation by foreign traders; in the case of China tea the complaints abroad were frequent last year and also this year all pointing towards neglect by the Chinese exporters as to the quality and packing of the goods. In contradistinction, Japanese tea merchants have maintained in the postwar years' their high reputation for reliability and there is no doubt that much good will has thus increased in the postwar years.

## TRADE IN CHINA BRISTLES

## Exports of bristles from Chungking

The Chungking bristle price for No. 27 assortment, Chungking black, increases in line with other commodity prices and is regarded as a principal indicator of the value of the Chinese currency. The New York price on the average is \$2.90 to \$3 (U.S. currency) per pound.

During last June, the four leading Chungking bristle companies shipped to Shanghai a total of 2,278 cases. Of this amount, the Szechwan Animal Products Co. shipped 1,278 cases; the remaining 1,000 cases being divided among the Ho-Yuan, Tsung Te, and the Upper Yangtze Co. The Szechwan Animal Products Co. had on hand on July 3, 1948, 1,000 piculs of undressed bristles.

Favourable factors affecting the bristle market in Chungking are the increased need for bristle in the United States and Europe and the reopening of trade with Europe. The outlook for the next few months is optimistic owing mainly to increasing foreign prices.

Exports during the month of June are shown below:—

Size	Weight in pounds	New York Price per pound, c. & f.	Total Value US\$
2" (clipped)	133.1/3	2.20	293.33
2"	80	2.20	176.00
2 1/4"	480	2.60	1,248.00
2 1/2"	273.1/3	2.70	738.00
2 3/4"	393.1/3	2.80	1,101.33
3"	173.1/3	2.80	485.33
3 1/4"	153.1/3	3.20	490.67
3 1/2"	113.1/3	3.30	374.00
3 3/4"	80	3.50	280.00
4"	120	4.10	492.00
Total	2,000	—	5,678.66

## Exports from Shanghai

Exports of bristles from Shanghai to the United States in June 1948 were considerably larger by volume, and were only slightly less by value than the previous postwar record month of October 1946. Shipments in June totaled 4,621 cases, or 611,426 pounds, valued at US\$1,508,054 (two to three times as large as the shipments in any other recent month).

This large volume of business represented mostly contracts negotiated either during the month of June, or at the end of May when merchants may have had some knowledge of the foreign-exchange link system which became effective June 1. During June the local currency yield from exports (calculated by adding together the official open-market exchange rate which was held at CN\$474,000 and the Exchange Surrender Certificate value which rose from CN\$350,000 to CN\$

1,950,000). Although exporters were disappointed that the exchange surrender certificate rate has not closed with the black-market rate, they feel that they will be able to continue to do business, as they have in the past, by holding stocks for a sufficiently long time after purchase to take advantage of the intervening large increases in prices.

About 20 firms participate in the business with the United States, and most of them anticipate that trade would continue active through the next few months. Demand on the part of buyers in the United States is considered to be strong.

Exports of bristles from Shanghai for the month of June are shown in the table below:—

Assortments and Sizes	Number of Cases Shipped	Weight in Pounds	Price per pound C. I. F. New York US\$
Shanghai Black:			
2"-6" No. 1	575	76,661	1.90 to 2.20
2 1/2"	20	2,666	1.85
2 1/4"-6	53	6,650	3.60 to 4.00
2 1/2"-3 1/2"	40	4,400	4.00
2"-6" No. 17	475	63,327	1.75 to 2.35
2"-4 1/2"	25	3,333	2.05
2"-3"	50	6,666	1.80 to 2.00
2"-2 1/4"	55	6,050	4.15
4"-6"	55	6,050	4.20
R"	6	800	.50
2"-2 1/2"	20	2,666	1.70
Hankow Black:			
2"-3"	25	3,333	1.40
2"-6" No. 17	1,300	173,321	3.35 to 3.70
2"-3" No. 5	300	39,999	1.30 to 1.35
2"-6" No. 1	100	13,332	2.80 to 3.10
2"-2 1/4"	104	13,866	2.80
Chungking Black:			
R"-2 1/4"	550	73,332	1.35 to 1.50
R"-6" No. 27	605	80,661	1.55 to 2.50
5"-6"	13	1,733	13.00
3 1/4"-4"	32	4,266	3.10
2 1/4"-6" No. 27	75	9,999	2.15 to 2.33
Chungking Unbleached White:			
2 1/4"-6" No. 27	38	5,000	3.20
2"	50	6,750	2.25
Tientsin:			
2 1/2"-6"	55	6,565	5.30
Total	4,621	611,426	—
Average Price per pound	—	—	2.85

## Exports from Tientsin

Bristle exports in June 1948 from Tientsin to the United States scored a new postwar high, aggregating 523,839 pounds (equivalent to 4,748 1/2 cases) value at US\$2,482,049 compared with 46,203 pounds (369 cases) valued at US\$155,424 in May; 174,845 pounds (1,605 1/2 cases) valued at US\$666,296 in April; and 72,952 pounds valued at US\$242,951 in March.

The June average export value for Tientsin bristles shipped to the United States was US\$4,738 per pound f.o.b. Tientsin, as compared with US\$3,364, US\$3,811 and US\$3.33 in May, April, and March, respectively.

Basic bristle prices in United States Dollars remained relatively unchanged from those of the preceding month. However, long bristles, which are more expensive than short, moved to the United States in greater quantity in June than in previous months, accounting for the increase in the average per pound value of bristle exports, from US\$3.36 in May to US\$ 4.738 in June.

## Trade Situation in Tsingtao

The flurry of activity experienced by the bristle trade during summer resulted as exporters made heavy shipments on a consignment basis, speculating on the possibility of highly favourable future exchange rates under the new "link-type" exchange system. All bristles exported from Tsingtao during the summer months were reshipped, having been sent to Tsingtao from Tientsin to enable the exporters to take advantage of certain favourable Customs and export regulations existing only at the port of Tsingtao. There is some evidence that these exporters were able to make a partial payment outside the regular banking channels, in this way obtaining a portion of their exchange on the black market.

Most dealers in bristles are reluctant to sell unless they can replace their stocks. Such commodity holdings are more valuable for use as security for bank loans than for profitable sales.

## COMMERCIAL RELATIONS OF TIBET

A trade mission from Tibet has been for several months in the United States for the purpose of developing direct trade between America and Tibet. According to Mr. Tsepon Shakabpa, chief of the Finance Department of the Government of Tibet, his Government is anxious to develop direct trade relations with private firms in America and other countries and to expand the volume and type of the foreign trade with Tibet.

Exports from Tibet have in the past consisted principally of wool, musk, hides, and goat hair. A unique opportunity has now been offered United States importers in the handicraft of Tibet which, according to members of the mission, is of wide variety including carvings of gold, silver, and wood; wooden carpets; and tapestries. The Tibetans are interested in importing agricultural implements and machines, as well as other manufactured articles needed by their people.

In addition to Mr. Tsepon Shakabpa, the mission consisted of Messrs. Unda Surkang Sey, Kuladharm Ratna, (who is the English interpreter) Rinshi Pangdatsang, and Kenchung Shank-yimpa. The group remained in the United States until the first week of September.

Upon their return to Tibet the trade mission will report to its government and further trade missions to other industrial nations are scheduled to be dispatched. Tibet is as yet an undeveloped region and promise to become under the enlightened direction of a more western-orientated government a country which might actively engage in foreign commerce.

Just as the dealers must buy up stocks and hold them until it is profitable to sell, so the exporter must buy up and hold stocks until the higher official rate of the Chinese yuan makes a sale abroad profitable.

Estimated stocks at beginning of July in Tsingtao include five or six full 55-case assortments with a total of about 500 cases of all kinds in the hands of dealers. New supplies are arriving in increasing numbers from the Communist-occupied Weihsien area, but total arrivals for June are estimated at only 180 cases. Most of this is gross cargo, not dressed according to lengths, the dressing is being done in Tsingtao at present.

The future of the Tsingtao Bristle Market will be determined by this trade through the lines. Weihsien is the largest bristle-producing and collecting center in Shantung. The Communist Authorities now seem to be permitting the trade to continue, usually imposing a 10 percent "tax" on the travelling merchants. The actions of undisciplined Central Government troops, however, are a real threat to the trade. The dealers report frequent exactions of money and even confiscation of their cargo at the hands of these Kuomintang troops.

The Chinese government at Nanking claims rights of suzerainty but the Tibetans do not recognise any such claims. Tibet is an independent country and the Tibetan Government is emphatic about its sovereignty. Foreign especially British and Indian influences remain strong in the ruling circles of Tibet but the independence of the country—although economically backward—is no longer questioned. In its foreign trade the Tibetan Government pursues a policy of sponsored and controlled relations which is a necessary development in the case of a country which has so far remained practically isolated from the current of modern civilisation.

## Production of Plastics Materials in China

The manufacture of plastics materials is not yet an established branch of industry in China. Fifteen plants are known to be making plastics; one is in Canton, one in Peiping, and the remainder in Shanghai. Phenolic molding powder was made on a small scale before World War II, but the present output is of little significance. Bakelite powder is said to be the only plastics product available in quantities sufficient to meet domestic demand.

Production of other types of plastics materials has not yet been attempted on an appreciable scale. Molding establishments do chiefly compression molding of thermosetting materials. The lack of suitable presses and other equipment prevents the manufacture of large or heavy plastics products. Two or three companies recently have begun injection molding of thermoplastics materials, using imported polystyrene resin; the Central Chemical Works, a subsidiary of the National Resources Commission, is said to be contemplating the manufacture of a phenolic-resin-type plywood glue.

Abundant raw materials for plastics manufacture are said to be available, but technical "know-how" and funds are lacking, and foreign exchange restrictions discourage the importation of supplies and equipment. So long as the present disturbed conditions in China prevail, large expenditures for the machinery and technical personnel needed for the establishment of a sizable plastics industry are not considered feasible.

It was European refugees in the Hongkew area of Shanghai who embarked after the end of war on the production of plastics sheets and they also imported sheets, mostly from the U.S. and manufactured a variety of useful articles for consumption in China. The enterprising and resourcefulness of these European manufacturers were however stifled by the unreasonable import embargoes of the Chinese Government which thus frustrated the growth of an otherwise prosperous industry.

## ECONOMIC REPORTS FROM SIAM

### Expanded Trade with America

More United States dollars went into Siam in the second quarter of 1948 than in any other comparable period of time in the history of trade between Siam and the United States. The greatest single dollar earner in the April-June 1948 period was rice sold to the United States for China relief and the United States Army, which accounted for US\$ 6,686,863. Rubber purchases in the second quarter shipped direct to the United States accounted for an estimated US\$5,135,000. A total of 1,328 tons of tin metal and 1,715 tons of contained ore was purchased during the quarter for \$4,751,651.

Secondary exports continued to show an upward trend; total valuation of these amounted to US\$2,503,604. Among important items in this group were precious and semiprecious stones, accounting for \$784,816; shellac, \$508,956; seedlac, \$157,167; hides and skins, \$319,151; wolfram ore, \$137,353; castor-beans, \$129,003; kapok, \$129,810. Other products exported included teak, sticklac, crude glycerin, castor oil, coconut oil, and antimony ore.

As Siamese Customs figures for the second quarter will not be available for some time, no over-all statement can be made on imports into Siam from the United States. Sales of United States goods have however begun to meet resistance, not only through the saturation of current and deferred demand but also because of increased competition from other nations now able to supply consumer goods in greater supply. This appears to be particularly true with regard to competition from the sterling area.

### Barter with Japan

During the period under review (April-June) the Supreme Commander for the Allied Powers in Tokyo sent his first Trade Mission to Siam. The mission was interested primarily in surveying the possibilities for trade rather than in making actual purchases. An invitation was extended to the Siamese Government to send a reciprocal mission to Tokyo for the purpose of discussing barter arrangements of Japanese textiles, railway rolling stock, and machinery in return for Siamese rice and other foodstuffs.

### Active direct policy of the Government in the nation's economy

During the quarter under review the economic policy of the new Government of Marshal Phibun Songgram began to take shape, as evidenced by a number of steps designed to fulfil the Government's pledge to reduce the cost of living. Various business groups were called into conference with the Government and requested to lower the costs of their products to the con-

sumer. The War Veterans Organization, a society of demobilized servicemen said to have strong Government support, became agents for distribution and sale of such controlled products as cigarettes and papers, and took over supervision of certain State services, including stevedoring at the Government harbour installations and ferry service of the surrounding rivers. In an interview with the press the director of this organization outlined a plan for WVO participation in "all aspects of Siam's economic life."

The Government's purchasing bureau, which has access to foreign exchange at official rates, was reorganized and encouraged to broaden its field of activities. The Changwat Companies were revived for distribution of these cheap products (less costly because they would be purchased with less expensive foreign exchange) in the provinces.

New emphasis has also been placed on cooperatives, and plans have been laid to expand the operations of Cooperative Societies from their original design as marketing agencies (for the collection, processing, and selling of agricultural products) to include cooperative stores for the distribution of foodstuffs, clothing, and other essentials. Particular emphasis was attached to the use of these stores by Government officials.

Earlier in the year the Siamese Government announced the opening of a cooperative department, under the Ministry of Agriculture, to advise, control, and promote Cooperative Societies.

The Bank of Asia for Industry and Commerce, which had been closed on December 26, 1947, following the change in Government early in November, was reopened on June 11, 1948. A former Minister of Commerce will act as general manager of the bank.

#### Siamese Railways

Railway passenger and freight rates were reduced from 10 to 25 percent, according to Government announcements dated May 16. The new Railway Board, which was set up by the present Government to examine railway policy and operations, announced the rate cut and maintained that the Royal state railways could still function at a profit. The "Death Railway" from Ban Pong in Siam to the Burma border, built during the war years by Allied prisoners of war under Japanese military supervision, has been placed on the auction block. On June 10, 1948, the Ministry of Communications invited tenders from private individuals interested in operating the line as a private enterprise. The Siamese Government is reported to have purchased the road and rolling stock from the Allied Governments for £1,250,000 in 1946, but the road was not put into operating condition, and the rolling stock was removed for use elsewhere.

Reconstruction of bombed-out rail installations is continuing and will continue at an increased pace during the next year, provided that budget recommendations are passed. The Central Railway Administration building at Hualampong has now three of the four original wings completed, and

the station at Dhonburi is expected to be completed before the end of the year.

#### Siamese Aviation

Air-transport service has been increased with the inauguration of Malayan Airways scheduled flights from Don Muang terminus (Bangkok) to Singapore by way of Penang, Kuala Lumpur, and Ipoh. Planes in use are DC-3, surplus war craft, owned by a Singapore organization with the Borneo Company as the local Bangkok agents.

Siamese Airways opened service on April 26 of a new scheduled operation between Bangkok and Hong Kong. DC-3 planes being used also in this flight.

#### Electric Power

The Thai Electric Co., the only power plant currently operating in Bangkok, has addressed an appeal to the Government to reconsider the renewal of its concession. The Ministry of Commerce announced in the latter part of 1947 that the Government would take over the plant on December 31, 1949, for 12,000,000 baht. This Company, one of the largest public utilities in Siam, includes among its assets the Bangkok Tramway System.

The Government-owned Samsen power station, damaged during air raids during the war, is being rehabilitated after 2 years of inactivity. It is deemed probable that four of the original generators can be repaired and put into operation within 14 months.